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Victorian Auditor-General's Office



School Councils in Government Schools

July 2018

Independent assurance report to Parliament
2018–19: 3

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Victorian Auditor-General's Office

The Hon Bruce Atkinson MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Colin Brooks MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my report *School Councils in Government Schools*.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Andrew Greaves', with a long horizontal stroke extending to the right.

Andrew Greaves
Auditor-General

26 July 2018

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Acronyms and abbreviations

CEO	chief executive officer
DET	Department of Education and Training
ETR Act	<i>Education and Training Reform Act 2006</i>
FM Act	<i>Financial Management Act 1994</i>
IBAC	Independent Broad-based Anti-corruption Commission
ISG	<i>Improving School Governance</i>
MOU	memorandum of understanding
PA Act	<i>Public Administration Act 2004</i>
Regulations	Education and Training Reform Regulations 2017
SPAG	<i>School Policy and Advisory Guide</i>
SPOT	Strategic Planning Online Tool
VAGO	Victorian Auditor-General's Office
VRQA	Victorian Registration and Qualifications Authority

Audit overview

The *Education and Training Reform Act 2006* (ETR Act) establishes school councils within Victorian government schools and outlines their objectives. These include to ensure efficient governance of the school, make decisions in the students' best interest, enhance educational opportunities and ensure the school complies with its legislative obligations.

The ETR Act also specifies responsibilities of school councils, which include strategic planning and financial administration. School councils are required to inform their school community about their school's performance against its strategic plan and budget.

School councils operate within a complex and unique governance framework. They share governance responsibilities with the principal of the school and the Department of Education and Training (DET). The framework cannot be compared directly with other well-documented and understood governance structures, such as a board of directors for a private or public entity. The framework also differs from non-government schools—which are not part of DET and have their own governing arrangements.

Because the governance framework of government schools is unique, it is particularly important that the roles, responsibilities, limits of authority and accountability of those involved are clearly defined and well understood, and that the framework works well in practice.

DET is responsible for ensuring that school councils understand the governance framework. The ETR Act requires DET to establish an assurance regime over the financial and operational activities of school councils. DET is also required to advise the Minister for Education (the minister) on how school councils perform their functions and meet their objectives.

School councils' role within government schools is not insignificant. As of February 2017, school councils operated in 1 534 government schools that served over 600 000 students. In 2016, Victorian school councils were responsible for budgets totalling \$1.64 billion. School councils' activities have a real impact on students and the wider school community.

In this audit, we examined whether school councils in government schools are meeting their objectives under the ETR Act. In doing so, we considered DET's guidance to school councils on their roles and responsibilities offered through its guide *Improving School Governance* (ISG). We also considered whether DET effectively oversees school councils and has an assurance regime over their activities. In our assessment, we have not distinguished between the role of the Secretary of DET and the role of DET itself.

Conclusion

School communities cannot be assured that all school councils of government schools are fulfilling their objectives and functions, nor that they are operating effectively.

This is largely because the role of school councils and the performance expectations of their members remains ill defined and is not well understood. This lack of clarity leaves school council objectives open to widely varying interpretations and creates confusion about the boundaries between the roles of the principal and the school council. Consequently, school councils interpret and therefore carry out their role in various ways, and at times are unable to resolve conflicts with school principals.

DET has improved its guidance to school councils since 2015. However, there are still gaps in its guidance and their advice on school councils' role and the full extent of their functions is confusing. The guidance is not clear about school councils' accountabilities or DET's role in overseeing their performance on the minister's behalf. DET's guidance causes further confusion by requiring school councils to comply with its policies—even though the minister has not delegated this power to DET to date. DET can do more to clarify these roles and provide school councils with practical guidance to address areas of ambiguity.

A further barrier to knowing whether school councils meet their objectives is a lack of performance evaluation, both within school councils and by DET. To date, school councils have not routinely undertaken performance self-assessments, a recognised better practice and, for councils of schools formed after July 2005, a requirement. DET also does not have an assurance regime for the non-financial operations of school councils commensurate with its oversight of their financial operations. Further, it has not used its authority under the ETR Act to review and oversee school council performance. As such, it cannot reliably assure the minister that school councils are meeting their objectives under the ETR Act.

Given the critical remit of school councils, failure to create and act on a more robust performance system represents a missed opportunity to continually improve the functioning of Victorian government schools.

Findings

School council role, establishment and accountability

The role of school councils

DET has not explained the policy intent of school councils in the school governance framework and why the ETR Act allocates specific roles and responsibilities to them.

The ETR Act's school council objectives provide the basis for the school council role. However, the terms used to define those objectives are open to interpretation.

Ambiguous phrases in the legislative objectives include:

- ‘assist in efficient governance’
- make decisions in the ‘best interests of students’
- enhance ‘educational opportunities’.

DET has not provided specific guidance on how they are intended to apply in practice. Without guidance, school council members and principals can and do interpret each legislative objective differently, making it difficult to reach decisions and resolve disputes.

School councils perform multiple roles that include advising the principal, making decisions on specific issues, and consulting with the school community. The school council and principal also co-sign the school’s strategic plan and all payments from the school’s official bank account. While DET has provided guidance to school councils on school governance, it lacks information on these different roles or when they apply.

School councils are accountable directly to the minister—who has the power to require them to comply with policies. While the minister has the authority to delegate this power to DET, there is currently no delegation. Despite this, DET explains in its guidance that school councils are required to comply with its policies.

Under the ETR Act, there are functions that school councils are exclusively accountable for and others that they share with principals. Yet school councils do not have decision-making authority over principals because they do not employ the principal. DET guidance does not clarify decision-making authorities. As a result, to effectively make and implement decisions, school councils and principals rely on the willingness of both parties to work together.

We surveyed school principals and school councils. Of the 1 004 schools that participated, many school councils told us that they have a productive relationship with their principal. We found that challenges can arise when school councils disagree with their principal. During term two of 2018, DET introduced guidance for school councils to help them to resolve disagreements between council members and to manage conduct of individual members.

However, DET’s guidance does not explain the avenues through which school councils can seek advice independently of the principal when a dispute arises between them. The process also requires school councils to work through DET’s regional officers even though these officers are responsible for providing support to the principal in their day-to-day work. The absence of clear boundaries of roles constrains DET’s ability to work with both school councils and principals to resolve governance disputes.

As a last resort, DET’s process involves a formal investigation of a dispute. However, as the employer of the principal, DET is ultimately constrained in conducting an independent and transparent investigation.

Through our survey, we found that over 60 per cent of the comments made by school principals and school council presidents identified decision-making as an emerging challenge.

In responses to our survey, school councils were confident that they understood their role and how it differs from that of the principal. However, there was variation in how school councils understood their role, even though it should be the same across schools.

Around two-thirds of respondents (63.8 per cent) stated that school councils operated as a body working in partnership with the principal. In 2015, DET stopped referring to a partnership between school councils and principals. However, some schools continue to use this terminology on their websites. In their role as executive officers, school principals are required to implement certain school council decisions. To view the school council role as a partnership with the principal blurs the demarcation of responsibilities between school councils and the executive officer.

In our survey, 10 per cent of respondents considered a school council to be the 'body governing the school'. DET uses the term 'governing body' to describe school councils. However, given the shared governance roles across DET, principals and school councils, the phrase 'body governing the school', in the way it would ordinarily be understood, does not accurately describe school councils' role.

Establishing and sustaining school councils

DET relies on its principals to comply with ETR Act requirements for the election and composition of school councils, while complaints it receives alert it to noncompliance. DET offers support and guidance to principals to manage election of school council members and ensures that they declare details in its membership database—known as Schedule 7—by 30 April each year. Principals are required to record appointed members, office bearers and vacant member positions.

School councils are legally allowed to operate with member vacancies. However, they must achieve a quorum for each meeting to proceed and to make decisions. For school council meetings to achieve a quorum, non-DET members must outnumber DET employee school council members. Where vacancies are concentrated in parent or community membership categories, the risks of not meeting quorum increases.

DET does not monitor the Schedule 7 database to identify this risk. It relies on school principals and school councils to monitor their own vacancies and to address any membership issues. However, DET does monitor whether school councils are meeting quorum requirements. In its audits conducted in 2016–17, DET found that of the 267 schools audited, 38 schools did not meet quorum requirements (around 14 per cent). DET's audits did not identify whether school councils continued to make decisions without a quorum.

Where these vacancies are concentrated in certain membership categories, and decisions are made without a quorum, decisions may also be dominated by particular members or member groups. For example, where vacancies are concentrated within parent or community member categories, DET employee members may have greater influence over decisions. This risk is increased by DET employee members having greater access to information through DET's newsletters and notifications.

School councils frequently experience challenges recruiting members who possess the appropriate knowledge, skills and time. To address such capability gaps, school councils can co-opt skilled members from their wider communities.

DET provides guidance to school councils to help them assess their own skills and identify the skills they may require. However, without clarity on the role of the school council, the usefulness of this guidance is limited. Across the 1 004 schools we surveyed, only 15 per cent of respondents had developed a skills matrix to identify skills they needed on their school council. Without clarity on their role, school councils are not able to identify the specific skills they require and, as a result, to know whether they have the right mix of members.

Accountability

While the ETR Act refers to school councils' accountability and performance requirements, DET does not explain to school councils its assurance activities or how these relate to a school council's role in overseeing school compliance. DET has also not provided clear guidance on the full list of school council functions or how school councils are accountable to the minister for their performance.

School councils and principals operate within complex accountability arrangements within the governance framework:

- School councils are accountable to the minister for their functions.
- As the school council's executive officer, the principal is accountable to the school council for responsibilities defined in the ETR Act.
- The principal is also accountable to DET as an employee and is subject to a DET performance process.

DET provides guidance to principals on their dual roles as principal and executive officer of the school council. However, as the principal's employer, DET has not established processes to enable school councils to have input into principals' performance evaluations. As a result, school councils are not able to ensure that principals, in their role as their executive officer, meet their obligations to the school council as established under the ETR Act. This includes implementing school council decisions and providing effective executive support.

DET does not provide adequate information on how school councils can effectively delegate their powers, duties or functions to a principal or to school council subcommittees. When they delegate, school councils retain ultimate responsibility—yet DET does not provide specific guidance on how school councils can establish processes to monitor their delegations. The effectiveness of such delegations relies on school councils being able to ensure their principals are accountable for the delegation, and on the implementation of an effective dispute-resolution process.

School council performance

DET does not use its authority to conduct effectiveness and efficiency reviews of school councils and DET's reviews of school performance do not consider performance of the school council. The key form of performance review for school councils is their own self-assessment. However, our survey results showed that only 33 per cent of school councils conducted annual self-assessments.

DET is required to provide guidance to school councils, and work with them, on governance.

Changes to the *Public Administration Act 2004* (PA Act) require school councils established after 1 July 2005 (when the amendments were introduced) to assess their own performance and those of each school council member. In its ISG guide, DET has not explained that this legal responsibility applies to only 117 school councils—8 per cent of Victoria's 1 534 schools.

During our audit, DET updated its guidance to state that all 'school councillors are required to undertake the school council self-assessment tool each year, as part of the school's annual self-evaluation process'. However, DET's guidance does not explain the source of this requirement, nor that it does not apply to most school councils.

Self-assessments are an important best-practice tool for reflecting on school councils' effectiveness. DET advised us that the tool could form part of its assurance regime over school council activities. However, DET is yet to explain its authority to place such a requirement on school councils.

Although DET provides a school council self-assessment tool, it does not provide recommended performance measures on all school council objectives, functions or other legal obligations. It also does not provide benchmarks to assist them to review their performance.

Departmental guidance and support

DET has improved the guidance it provides to school councils. In 2015 it released its ISG guide, a resource for school council members, supplemented by face-to-face training at no cost to the school. It also supports school councils by offering assistance through its dedicated School Operations and Governance Unit and through school principals.

DET provides guidance directly to schools on required policy and procedures through a dedicated online resource—the *School Policy and Advisory Guide* (SPAG). School council members can access this resource online.

While the ISG guide is a substantial improvement on what was previously available, further improvements are required to provide easily accessible information to school councils. DET’s guidance to school councils is difficult to find on its website. It lacks a central page to direct school councils to the five separate public pages and multiple internal pages that are relevant to them.

Further, not all school council members can access DET’s guidance material—access to guidance on DET’s internal pages is limited to principals, school council presidents and DET employees who have a DET eduMail account. This results in an imbalance in the information available to each council member to inform their decisions. We found that there is a low rate of school council presidents accessing their eduMail accounts—during the four-week period of our survey, only 28 per cent accessed their accounts.

Although DET can provide ministerial orders on request, neither the principal nor school council members have direct access to the system that contains all ministerial orders relevant to their responsibilities.

Since term three of 2015, DET has offered training to support school council members to confidently and effectively fulfil their role. However, it does not have an implementation plan to ensure the training is achieving its intended objectives and sufficiently reaching its audience. Face-to-face training sessions are not always suitable for council members who have family and work commitments. In our survey, school council presidents told us that their members were positive about what they learned in DET’s training sessions. DET conducts end-of-session evaluations of its training, however it has no measures in place to evaluate training effectiveness.

DET communicates the assistance it offers through its School Operations and Governance Unit. However, during our school council forums we conducted, we found that school councils had a low awareness of the dedicated assistance DET provides to them. DET could do more to improve this awareness by actively promoting the assistance, support and legal advice it provides to school council members and providing information about how to access it.

Departmental oversight

DET has only partially used its powers under the ETR Act to establish systems or processes to oversee the performance and compliance of school councils.

DET has established quality assurance processes for school council financial activities. It oversees the financial activities of school councils through monitoring and auditing as part of its risk-based School Council Financial Assurance Program. DET has found that school councils have not always adequately overseen their financial controls—in such instances, DET follows up school councils that are failing to meet their obligations, as well as working to improve its financial guidance and training for principals, business managers and school councils.

However, DET has only partially met its obligations under the ETR Act to oversee the operational activities of school councils. While DET has some assurance activities in place, it has not implemented an equivalent risk-based assurance regime over school councils' operational activities as it has for their financial activities. DET has neither identified what school council 'operational activities' exist under the ETR Act and its associated legal instruments, nor has it interpreted the requirement for a 'quality assurance regime' over these activities. During our audit, DET was in the process of reviewing its interpretation of requirements under the ETR Act and its obligations.

The ETR Act also provides DET with the power to conduct effectiveness and efficiency reviews of school councils. However, since the introduction of the ETR Act in 2006, DET has not conducted such a review for any school council or developed a system to determine when it would undertake such a review.

As such, DET is not well positioned to identify emerging risks or advise the minister of any performance issues relating to the non-financial activities of school councils.

Recommendations

We recommend that the Department of Education and Training:

1. provide an interpretation of the policy intent of school councils under the *Education and Training Reform Act 2006*, to clarify the objective of school councils and the role of all entities within the governance framework (see Section 3.3)
2. update its guidance and training for school councils to reflect the clarified interpretation of school council objectives and their role in the governance framework (see Sections 2.2 and 3.3)
3. implement and evaluate a support strategy for school councils that includes:
 - effective communication processes with school council members
 - a clearly identifiable page on its school council website to enable them to readily access all information relevant to their role
 - clearly identifying and promoting the departmental assistance available to school councils in their role
 - targeting training activity to improve the capacity and capability of school councils to fulfil their objectives (see Sections 2.2 and 2.3)
4. determine the nature of the assurance regime that the *Education and Training Reform Act 2006* requires the Department of Education and Training to establish over school councils, and implement additional assurance measures as required (see Section 2.4)
5. establish a process for annual reporting to the Minister for Education on school council performance (see Section 3.4).

Responses to recommendations

We have consulted with DET and the Victorian Registration and Qualifications Authority (VRQA), and we considered their views when reaching our audit conclusions. As required by section 16(3) of the *Audit Act 1994*, we gave a draft copy of this report to them and asked for their submission or comments. We also provided a copy of the report to the Department of Premier and Cabinet.

DET provided a response which is summarised below. The full response is included in Appendix A.

DET welcomed the findings of this audit and provided an action plan outlining its planned activities to address our recommendations.

1

Audit context

School councils are part of the governance framework for Victorian government schools.

Under the ETR Act, the objectives of school councils are to:

- assist in the efficient governance of the school
- make decisions in the best interests of students
- enhance the educational opportunities of students at the school
- ensure schools and school councils comply with their legislative obligations.

To achieve their objectives, school councils have functions that relate to strategic planning, finances and community engagement.

The clarity of the governance arrangements—including school councils' role (as defined by their objectives), their responsibilities (as defined by their functions), the limits of their authority and their accountability—is an important underpinning for school councils to meet their obligations. In turn, high-performing school councils enable schools to perform efficiently and effectively and respond strategically to changing demands and educational challenges. They can also strengthen the confidence communities have in their schools.

1.1 The changing role of school councils

Victorian government school communities first provided an advisory role to principals through boards of advice. Their main role was to report to the government on the condition of school buildings.

In 1975, the government established school councils with extended powers and greater authority for making decisions, particularly over school finances.

In 1998, the government passed legislation that gave school councils the option to choose to operate as a self-governing council, which included the power to employ all school staff, including the principal. Some 51 schools chose to adopt this model. In 2000, the incoming government revoked these powers, transferring all staff employed by school councils back to DET. The introduction of the ETR Act further clarified the responsibilities and powers of school councils.

Today's governance framework is complex and unique to Victorian government schools. The framework provides school councils in Victoria with greater powers than in other states and territories, but not the equivalent self-governing powers of many boards of governance in the public and private sectors.

School councils are not legally responsible for all aspects of a school's operations—their responsibilities are limited to the obligations outlined in the ETR Act. They are also not responsible for the core purpose of the school—the educational outcomes of students. However, they are responsible for enhancing educational opportunities. DET is responsible for most of the school's operations.

The underlying rationale for this governance framework is to distinguish government schools from non-government schools and to maintain their public nature. The governance framework also recognises that the risks and liability associated with administering the government school system rests with the State of Victoria.

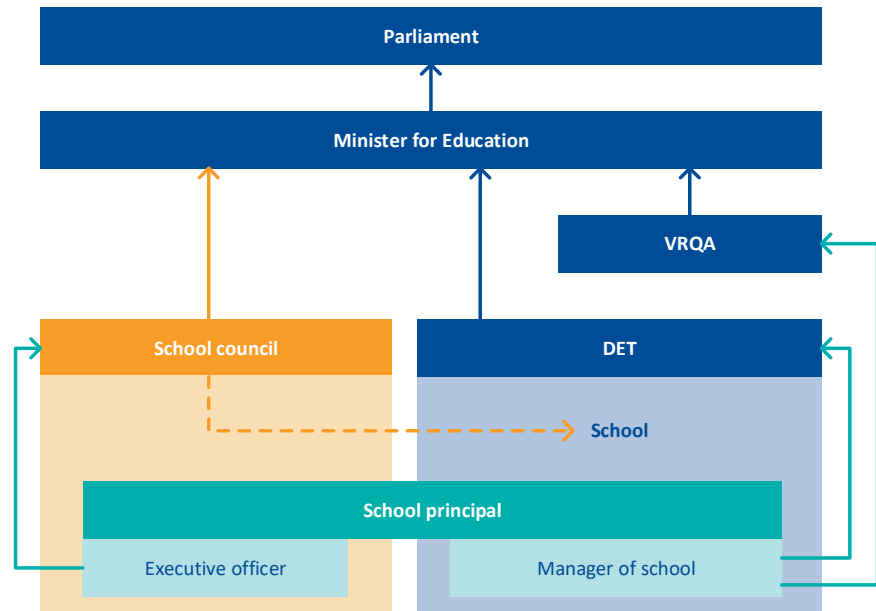
1.2 Overview of the governance framework

School councils are one part of the complex governance framework of Victorian government schools. They share responsibilities with the minister and DET, as shown in Figure 1A.

The framework has the following features:

- DET is responsible for the ongoing operation and performance of government schools:
 - Schools are an operational arm of DET.
 - School principals manage schools under DET's delegation.
 - DET oversees principals' performance.
- All 1 534 school councils in operation are separate legal entities from DET and its schools:
 - The school principal is a school council member and its executive officer.
 - Principals are accountable to the council in terms of providing them with adequate advice and resources and implementing their decisions.
 - The school council has limited authority to hold the executive officer to account.
- School councils are directly accountable to the minister for assisting in the efficient governance of schools:
 - DET is responsible for advising and assisting the minister in holding school councils accountable for their statutory obligations.
 - DET can conduct efficiency and effectiveness reviews of school councils.
 - DET is required to have a quality assurance regime to cover the legislated activities of school councils.

Figure 1A
Victorian government school governance framework



Note: Solid lines represent accountability; dotted lines represent responsibility.
 Source: VAGO.

1.3 Legislative framework

The legislation relevant to Victorian government schools, including school councils, includes the ETR Act, the PA Act and the *Financial Management Act 1994* (FM Act).

Education and Training Reform Act 2006

The ETR Act establishes the governance framework for the Victorian government school system and makes the minister responsible for Victorian government schools.

Legal instruments associated with the ETR Act include the Education and Training Reform Regulations 2017 (the Regulations) and ministerial orders, directions, guidelines and policies issued under the ETR Act.

The ETR Act sets out school councils' objectives, functions, powers and duties.

Minimum standards for registration

In fulfilling their functions, school councils must ensure that their school and the school council complies with the ETR Act.

The ETR Act prescribes minimum standards that schools must meet for registration related to:

- school governance
- enrolment
- curriculum and student learning
- student welfare
- staff employment
- school infrastructure.

VRQA explains that these standards underpin five key pillars of a school—good governance, strong financial management, an effective curriculum, sound teaching practice, and a safe environment for children.

Public Administration Act 2004

The PA Act establishes the governance framework for the Victorian public sector. It makes the minister accountable to parliament for the performance of DET and school councils.

The PA Act treats school councils as governing entities and school council members as directors of a board. The PA Act establishes that school councils are accountable to the minister for the exercise of their functions. Council members are subject to provisions of the PA Act and bound by the *Code of Conduct for Directors of Victorian Public Entities*.

Amendments to the PA Act applying from 1 July 2005 provide further responsibilities for all governing entities—including school councils. These responsibilities include advising the relevant minister and their department about major risks and their strategies to manage them, and assessing the performance of their board and of individual directors.

The amendments only apply to governing entities established after the amendments were introduced. DET estimates that this applies to approximately 8 per cent of school councils—the 117 schools that opened after 1 July 2005. The minister has the power to apply these requirements to all other school councils but has not done so.

The PA Act establishes responsibilities for DET that relate directly to school councils. The PA Act makes DET responsible for holding school councils to account by advising the minister on matters relating to school councils, including the discharge of their responsibilities. It also requires DET to work with, and provide guidance to, school councils to assist them on matters relating to public administration and governance.

Financial Management Act 1994

The FM Act establishes government schools' financial administration requirements and aims to improve the financial accountability of the public sector.

The FM Act requires all public entities to maintain proper accounting records and systems. It also requires them to prepare an annual report of operations and financial statements.

In 2016, the Minister for Finance issued Standing Directions under the FM Act that specify the responsibilities of public sector agencies to achieve a high standard of public financial management and accountability.

The Standing Directions exclude school councils and other small entities from the mandatory requirements because, in most cases, their size and risk profile make many inappropriate. In excluding school councils, the Standing Directions require DET to impose on school councils an appropriate level of financial management accountability, governance and compliance arrangements.

1.4 Roles and responsibilities

Minister for Education

The minister is responsible for Victorian government schools. Under the ETR Act, the minister has the authority to set the overall policy for education and training in Victoria. The minister has powers, functions and duties that supplement the governance framework. These include the power to establish schools and school councils.

The ETR Act allocates to the minister, the power to issue policies, guidelines, advice and give directions that DET, schools and school councils must comply with. The minister can delegate to DET the power to issue policies that school councils must comply with. However, currently there is no general delegation in place. In 2018, the minister issued a ministerial order directing all school councils to comply with DET's *Procurement Policy for Victorian Government Schools*. The minister also issued a ministerial order directing metropolitan government schools to procure school cleaning services in accordance with arrangements approved by DET.

The minister is responsible for holding school councils accountable for their performance, based on the advice of DET.

Department of Education and Training

The ETR Act provides specific responsibilities to DET and its Secretary in relation to schools and school councils. Throughout this report, we have not distinguished between the responsibilities of the Secretary of DET and those of DET itself—we refer to all responsibilities as DET's responsibilities.

DET is accountable to the minister for implementing Victoria's education system. DET is responsible for the performance and compliance of Victorian government schools. DET's responsibilities include:

- employing school principals and teaching staff
- developing policies, processes and procedures that schools must follow
- establishing rules for school operational matters, such as curriculum, opening hours and student-free days
- planning and funding major capital works.

In relation to school councils, DET is specifically required to:

- impose an appropriate level of financial management accountability, governance and compliance
- establish asset management requirements proportionate to the collective value of those assets
- ensure that an effective quality assurance regime is in place over school councils' financial and operational activities
- provide guidance and assistance on matters relating to public administration and governance.

DET does not have the power to give directions to school councils. DET also does not have the general power to require school councils to comply with its policies, as the minister has not delegated this power to it.

DET is required to work with school councils and hold them accountable by reporting to the minister on their performance and how they discharge their functions under the ETR Act and its associated legal instruments. To do this, the ETR Act provides DET with specific oversight powers. It also authorises DET to conduct reviews on the effectiveness and efficiency of the operations of school councils. This includes examining the performance of their functions, operations and procedures.

School principals

The role of the principal is complex and multifaceted. In addition to managing the school and its programs, the principal has two roles in the context of school councils, to:

- participate as a voting school council member
- support the school council and implement its decisions as the executive officer.

Therefore, the principal is accountable to both DET and the school council, but only DET is responsible for overseeing the principal's performance.

Manager of the school

The principal is responsible for the day-to-day management of the school. This involves:

- determining the curriculum programs followed in the school
- selecting and managing permanent teaching staff—such as teachers and assistant principals—and allocating duties
- maintaining buildings and grounds
- ensuring the school complies with legislation and all departmental policies
- ensuring the safety and welfare of students and anyone working at the school.

School council executive officer

The principal is the executive officer of the school council—part of this role is like a company secretary to a board, and part of it reflects that of a chief executive officer (CEO), but neither is a perfect analogy.

As the executive officer, the principal is accountable to the school council for:

- ensuring that the school council receives adequate and appropriate advice
- implementing the school council's decisions
- adequately supporting and resourcing school council meetings.

School council member

The principal is an ex-officio member of the school council, with voting power. The Regulations specify that the principal is a school council member by virtue of that position. No other members of the school council are automatically appointed to the school council.

School councils

The minister establishes an individual school council as a body corporate through a ministerial order known as a School Council Constituting Order (constituting order).

As body corporates, school councils are:

- separate legal entities from DET, the school and the school's students and teachers
- public entities under the PA Act that must comply with relevant legislation and ministerial directions and guidelines.

The constituting order provides a governing document, without which a school council may not exist. It sets out the rules—in addition to the ETR Act, the Regulations and any other ministerial orders—that a school council must comply with to fulfil its obligations. It also outlines the member composition specific to each individual school councils, their powers and their reporting requirements.

School councils can create their own standing orders to detail additional school council rules to assist their operations. Standing orders must be consistent with school council legal requirements set out in the ETR Act and its associated legal instruments.

School councils are accountable to the minister for the performance of their functions established under the ETR Act. One of these functions is for the school council to perform any other function or duty, or exercise any power under the ETR Act, Regulations, a ministerial order or direction issued by the minister under the ETR Act. They also have an implied accountability to the school community—they must produce an annual report and present it to the school community.

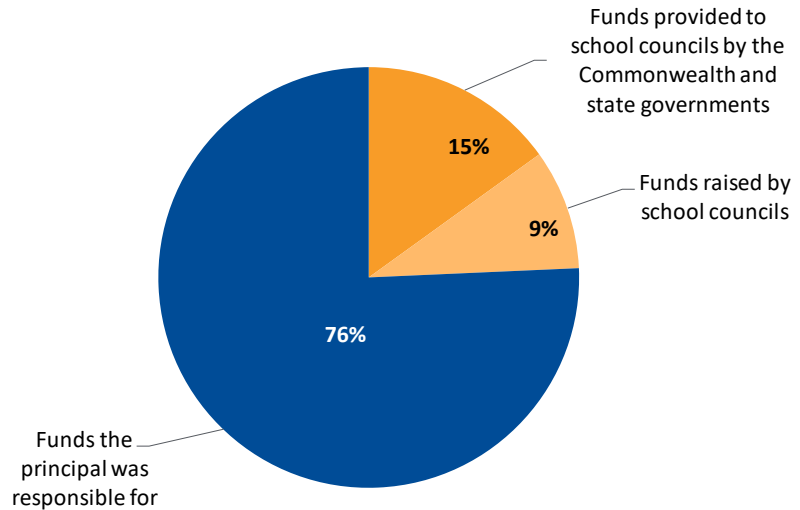
School councils form one of the largest groups of public entities in Victoria. In 2017, DET had 19 080 active school council member positions available across 1 534 school councils. Of these, 17 600 positions (92.2 per cent) were filled.

Most school council members are volunteers who make a considerable commitment. Only the principal is required to be a member, which is a component of the position as principal. Members are required to attend and prepare for at least eight meetings per year. They are also encouraged to be involved in council subcommittees.

School councils have decision-making powers that can influence the direction of schools. In 2016–17, school councils were collectively responsible for budgets of approximately \$1.64 billion, representing 2.5 per cent of the State Budget.

As shown in Figure 1B, in 2016, school councils were responsible for approximately 24 per cent of Victoria's school-related finances, comprising funding from the Commonwealth and state governments. It also included funding that school councils raised themselves from local sources, including fundraising activities and voluntary contributions from parents. School principals were responsible for the remainder.

Figure 1B
Responsibility for school-related finance in 2016



Source: VAGO based on data provided by DET.

At 30 June 2017, school councils shared oversight with DET for \$20.4 billion worth of property, plant and equipment—including \$9.41 billion of land and \$10.99 billion of buildings, improvements, plant and equipment. This property portfolio made up 17 per cent of the value of Victoria’s government-owned assets during the previous financial year, one of the largest state-owned asset portfolios in Victoria.

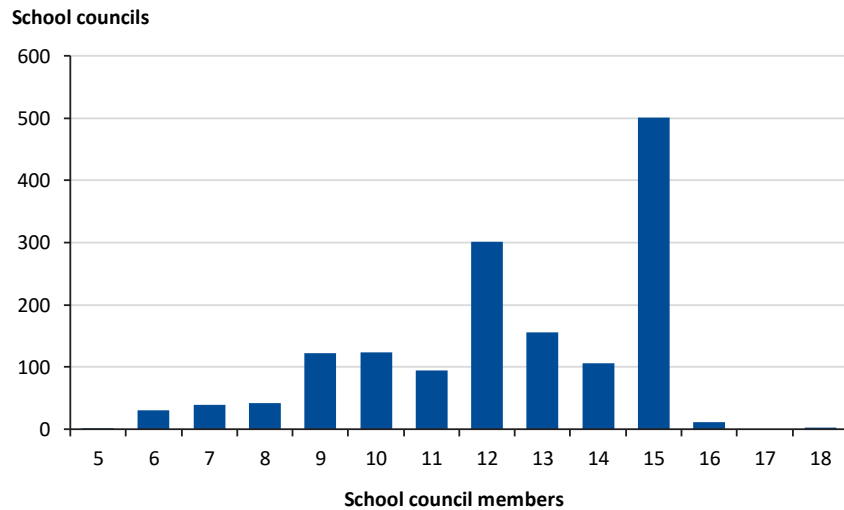
Size and membership

The school council’s constituting order specifies the size of the school council, its membership categories and its election procedures.

Victorian government school councils vary considerably in their size, revenue and expenditure, and level of financial risk. In 2016, the school council of one of Victoria’s smallest schools was responsible for authorising \$31 170 in expenditure for five students. In contrast, the school council of one of Victoria’s largest schools authorised \$7 million in expenditure for 1 373 students.

In 2017, the size of school councils in Victoria defined in their constituting orders ranged from five to 18 members. As shown in Figure 1C, the majority of school councils should have between 12 and 15 members if all positions are filled.

Figure 1C
School council size in 2017, as determined by the minister



Source: DET’s school council membership database called Schedule 7.

School council membership is sourced from two mandatory categories—‘parent’ and ‘DET employee’. There is also an optional ‘community’ category and a ‘nominee member’ category that can be used to appoint members who have specific skill sets. For example, where a children’s hospital has a school for its patients to attend, hospital staff may be appointed in the nominee member category for their medical skills.

The school community votes to elect parents and DET employees to the school council. School councils can also co-opt members rather than elect them if their constituting order permits this. In addition to setting the number of members required in each category for each school, the school’s constituting order also specifies how many community members and/or nominee members a council has.

Since term two of 2018, secondary school councils have two new mandatory student category positions unless they have been exempted. These are in addition to the nominee and community categories.

Subcommittees

Under the ETR Act, school councils can form subcommittees. DET encourages school councils to have a finance subcommittee, but school councils might also have subcommittees for buildings and grounds (facilities), education policy, student leadership, information technology, community building, and community relations. The school council may also have a subcommittee for outside-school-hours care or a canteen if the school provides such services.

Roles and responsibilities

The role of school councils is defined by their objectives established in the ETR Act, to:

- assist in the efficient governance of the school
- make decisions in the best interests of students
- enhance the educational opportunities of students at the school
- ensure schools and school councils comply with their legislative obligations.

The ETR Act also describes the functions of school councils, detailed in Figure 1D. This list also includes a provision for school councils to fulfil any other function or duty, or exercising any power established through the ETR Act, Regulations, a ministerial order (see Appendix B) or direction issued by the minister under the ETR Act.

Figure 1D
School council functions

Under the ETR Act, school councils must:

- establish the broad direction and vision of the school
- arrange for the supply of goods, services, facilities, materials, equipment and other things that are required for the operation of the school, including the provision of preschool programs
- raise funds for school-related purposes
- regulate and facilitate the after-hours use of the school premises
- oversee school buildings and grounds, and ensure that they are kept in good order and condition
- provide for cleaning and sanitary services
- ensure that all money coming into the hands of the council is spent for proper school purposes
- provide meals and refreshments for staff and students, and charge for those meals or refreshments
- inform themselves and take into account any views of the school community when making decisions about the school and its students
- generally stimulate interest in the school among the wider community
- perform any other function or duty, or exercise any power conferred or imposed on them by the ETR Act or the Regulations, or by a ministerial order or direction issued by the minister under the ETR Act.

Note: Refer to ETR Act for exact phrasing of school council legal functions.

Source: VAGO based on the ETR Act.

DET's guidance categorises the responsibilities of school councils into three broad areas—strategic planning, finance and assets, and policy development and review. School council responsibilities also include community engagement.

Strategic planning

The school council establishes the broad direction and vision for the school through its school strategic plan. The ETR Act requires this plan to set the school's goals and targets for the next four years and the strategies for achieving them. The strategic plan is informed by DET's review of the school's performance against its previous strategic plan, which school councils participate in.

The ETR Act requires that both the principal and school council president sign the plan and submit it to DET for approval.

The ETR Act also requires school councils to produce an annual report on the school's progress against its plan and on its financial activities. The school council must publish its annual report and make it available to the school community.

Finance and assets

Finance

The ETR Act defines the financial activities of school councils. They include responsibility for:

- managing the school's budget
- entering into contracts and agreements
- maintaining property
- authorising payments
- raising funds.

The ETR Act allocates the school council separate financial responsibilities from those of the principal.

Principals are responsible for budgeting for their schools' teaching staff, including those of the senior leadership team. However, DET employs the staff and holds the funds to pay them directly.

School councils are responsible for the school's official budget as it relates to running the school. School councils are responsible for the school's official bank account which is in the school council's own name.

DET provides funds to each school by placing it in an intermediate account. School councils can transfer these funds into their school's official account. They can also raise their own funds from local sources—including contributions from parents. School council fundraising activities are subject to the *Fundraising Act 1998*, which sets out obligations related to collecting funds and disclosing information.

From the school's official account, the school council pays the school bills—for example, funding goods, services, facilities and equipment required to operate the school. The school council has the power to enter into contracts and agreements on behalf of the school. The school council also has authority to employ staff—including teaching staff, but only on terms less than 12 months.

The school council is required to authorise and verify every payment that is made—in this way, the school council engages with a school's finances at a detailed, operational level. This is distinct from governing boards in public and private entities, which generally have a monitoring role rather than an operational role.

Assets

The ETR Act allocates responsibility for school buildings and grounds to both the school council and to DET. The school council is responsible for the oversight of school buildings and grounds, and ensuring that they are kept in good condition.

DET is responsible for ensuring that the assets of Victorian schools are managed efficiently and effectively. DET delegates its responsibility to school principals and requires them to create, implement and manage a plan for the development and general maintenance of school buildings and grounds.

Community engagement

The ETR Act allocates school councils with specific community engagement responsibilities. Members are required to inform themselves of the views of the school community when making decisions, along with stimulating interest in the school within the wider community.

The school community primarily includes staff, students and parents. It may also include early childhood services, service clubs, organisations or businesses.

Policy development and review

Under the ETR Act, school councils must ensure the school complies with any requirement issued within the ETR Act or its associated legal instruments, including the minimum standards for school registration. These standards require schools to put in place certain policies and procedures. As schools are extensions of DET, DET is also responsible for schools' compliance with these standards.

Through ministerial orders, the minister may place specific requirements on school councils in relation to school policy requirements. For example, through Ministerial Order No. 870, the minister has specifically required school councils to ensure that their school complies with the minimum standard relating to the risk of child abuse in schools. This compliance obligation is limited to the bounds of their role described in the ETR Act. The school council constituting order requires school councils to develop a student dress code.

Powers and limitations

The ETR Act provides school councils with powers to meet their objectives and functions, including entering into contracts and agreements, establishing trusts, and charging fees to parents for some goods, services and resources provided by the school.

School councils can grant licences for the use of school land and buildings. They can also employ sessional teachers and ancillary staff, such as administrative, cleaning and maintenance staff.

School councils are not authorised to purchase or acquire any land or building, or to employ teachers on contracts of greater than 12 months. Unless authorised, they do not have the power to:

- license or grant any interest in land, including school lands or buildings
- enter into hire purchase agreements
- obtain loan or credit facilities
- form or become a member of a corporation
- provide anything outside of Victoria unless it is related to a student excursion or staff professional development
- purchase a vehicle, boat or plane.

School council authority to delegate

The Regulations prohibit a school council from delegating any of its functions or powers in relation to the approval of the school budget and annual report. However, school councils can delegate any of their other functions, including approval of payments, signing of contracts, and establishment of the school's broad direction and vision. This delegation power also applies to school councils' compliance responsibilities, including ensuring that the school complies with Ministerial Order No. 870.

The Regulations require school councils to have written approval from the minister if they delegate any of their powers or duties to any person other than their school principal. Where a school council makes such a delegation, the Regulations stipulate how it must be recorded.

Victorian Registration and Qualifications Authority

VRQA is a statutory authority with responsibility for monitoring compliance with the minimum standards for the registration of primary and secondary schools, as set out in the ETR Act. It has issued a document entitled *Guidelines to the Minimum Standards and Other Requirements for Registration of Schools Including Those Offering Senior Secondary Courses*, which details the requirements for a school to become registered and maintain its registration.

To assure itself that schools comply with the minimum standards, VRQA can conduct its own reviews or appoint a reviewer. VRQA has approved DET as a review body for all government schools. These schools are an operational arm of DET and DET applies to VRQA for school registrations. VRQA relies on an annual compliance report from DET to provide assurance that Victoria's government schools comply with the minimum standards.

VRQA and DET have a memorandum of understanding (MOU) that sets out these assurance arrangements, outlined in Figure 1E.

Figure 1E
MOU between VRQA and DET

DET has an agreed responsibility to review school compliance and report on its findings to VRQA.

VRQA relies on DET to oversee schools, including their principals and school councils. It expects DET to:

- require all government schools to include in their annual reports an attestation by the school council president and principal that their school complies with all requirements for school registration
- include as part of performance management of principals that government schools meet all registration requirements
- ensure that all government schools are reviewed against the VRQA minimum standards
- ensure that DET's annual compliance report is completed and forwarded to VRQA by 31 July of each year.

DET has agreed to provide VRQA with:

- annual reports for governments schools by 30 June each year
- a report on compliance by 31 October each year.

Under this agreement, DET is also required to address school compliance issues. VRQA expects DET to:

- take reasonable steps to ensure that government schools address noncompliance
- keep the SPAG up to date to provide schools with quick and easy access to important governance and operational policies that they must follow.

Source: VAGO.

1.5 Past inquiries and reviews

Since the ETR Act was introduced in 2006, government reviews—see Appendix C—have consistently revealed a need to improve school council members' capacity and understanding of their roles. Specifically, these reviews have highlighted the need to:

- clarify the role of school councils and principals
- provide clear governance principles and standards
- provide better support for school councils and individual school council members
- clarify school councils' oversight role in monitoring performance and compliance
- provide school councils with an opportunity to contribute to curriculum objectives
- require school councils to have a stronger focus on strategic planning and aligning budgets to strategic directions.

In 2016, the Independent Broad-based Anti-corruption Commission (IBAC) exposed limitations in the existing school governance arrangements. IBAC’s Operation Ord investigation found significant weaknesses in DET’s systems, controls and culture, including that members of school councils may have unwittingly facilitated the misapplication of DET funds.

Following the conclusion of Operation Ord, DET introduced a program of integrity reforms which aim to address the systemic issues that enabled previous governance failures. The reforms include training and support for principals and school councils.

Two of our past performance audits also examined the role of school councils—Figure 1F outlines key findings from these audits.

Figure 1F
Previous VAGO audits that discuss the role of school councils

Date	Performance audit	Key finding
2017	<i>Managing School Infrastructure</i>	We found that the roles and responsibilities of school councils and principals in relation to school infrastructure were unclear. We highlighted that DET lacked oversight of school councils and how they hold their principals (as their executive officers) to account for managing assets they are responsible for.
2017	<i>Follow-up Audit—Additional School Costs for Families</i>	We found that DET had responded to the recommendations from our 2015 performance audit <i>Additional School Costs for Families</i> . We found that DET had: <ul style="list-style-type: none"> improved training of school council members to help them better understand school funding requirements updated its parent payment policy and guidance material to provide clear guidance on acceptable practices improved its oversight of the financial activities of school councils.

Source: VAGO.

1.6 Why this audit is important

School councils play a role in the governance framework of Victorian government schools. They share responsibilities for significant public funds and assets and have an influence over of school communities’ confidence in how schools are managed. However, past reviews and inquiries have consistently identified weak governance arrangements for Victorian government schools.

As DET has recently invested considerable effort in strengthening school councils’ understanding of their responsibilities, it is timely to review the functioning of school councils.

1.7 What this audit examined and how

Our objective for this audit was to determine whether Victorian government school councils are meeting their objectives under the ETR Act.

To address this, we examined whether:

- roles, responsibilities and accountabilities of school councils are specific, transparent and understood by stakeholders
- school councils and their subcommittees operate in accordance with their constituting order and standing orders
- DET effectively oversees school governance, including school councils.

We considered school councils of Victorian government schools, including primary and secondary schools. We did not consider Catholic and other independent schools, pre-primary, tertiary or specialist schools.

While VRQA was within the scope of the audit, its reliance on DET led us to focus on DET's activities in ensuring compliance with school registration requirements and processes.

We did not consider the responsibilities of school councils relating to preschool programs.

In addition to our usual audit methodology, we conducted a survey of school principals and council presidents and held forums across the state for school council members to share their experiences and views on school council governance, functions, and financial and operational activities and support. Appendix D provides further detail about the survey and forums.

We conducted our audit in accordance with section 15 of the *Audit Act 1994* and ASAE 3500 *Performance Engagements*. We complied with the independence and other relevant ethical requirements related to assurance engagements. The cost of this audit was \$680 000.

1.8 Report structure

The remainder of this report is structured as follows:

- Part 2 examines DET's guidance, support and oversight
- Part 3 examines the establishment, obligations and accountability of school councils.

2

DET guidance, support and oversight

School councils are authorised to do all within their statutory powers to meet their objectives and perform their functions. It is important that school councils use their considerable powers responsibly and, to do this, they need to understand their governance responsibilities.

As required by the PA Act, DET provides guidance, training and advice directly to school council members to assist them to understand their responsibilities. This support also helps school council members to develop the skills and knowledge they need to perform their duties.

Under the ETR Act, the minister holds school councils accountable for making decisions and taking actions that meet their legislative objectives. To enable this, DET must inform the minister about the performance of school councils. Further, DET has legislated power to review school councils.

In this part of the report, we assessed whether DET is effectively disseminating guidance to school councils and reinforcing this through training and other support. We also assessed the extent to which DET has processes to oversee the performance and compliance of school councils, and effectively provides advice to the minister.

2.1 Conclusion

DET has increased its guidance to school council members, yet further improvements are required to provide timely and easily accessible information to them on their role, responsibilities and accountabilities. The accessibility of information is critical to reduce the need for school councils to rely solely on principals for information and support.

DET has improved its oversight of the financial activities of school councils through a risk-based assurance program. But because DET has not applied this risk-based approach to school councils' non-financial activities, DET cannot assure the minister that school councils are meeting their objectives. DET is not well positioned to identify emerging risks or to advise the minister of any performance issues relating to the non-financial activities of school councils.

2.2 Guidance and training

Guidance and training for school councils

DET has increased its guidance to school councils. In 2012, DET's predecessor department established the School Operations and Governance Unit. This unit is located within DET's Regional Services Group. It is responsible for developing and implementing operational policy and procedures for schools and school councils, and providing advice and support to both internal and external stakeholders on school governance and operational matters—this includes to school councils. It is also responsible for managing training for school councils.

Improving School Governance guide

In 2015, DET developed its ISG guide—the main source of advice and guidance to school councils on their roles and responsibilities. DET issued the most recent revision in February 2018, and provides hard copies to those attending training. The guidance is subject to ongoing review.

The ISG guide comprises five modules:

- governance
- finance
- strategic planning
- policy and review
- school council president.

School Policy and Advisory Guide

DET provides guidance to schools on their policy and procedure requirements in its SPAG. Its purpose is to ensure schools have quick and easy access to important governance and operational policies and procedures that they must follow, and to support them to comply with school registration requirements. DET uses the SPAG as a tool to assure VRQA that schools comply with minimum standards for registration.

While the SPAG is targeted to schools, it contains information and guidance relevant to school councils.

During our audit, DET established a School Policy Template Portal to provide schools with relevant templates for documents they must complete.

Guidance and training for schools

DET provides guidance on its website and tools to help schools run and manage their responsibilities. This content is targeted at schools and includes information relevant to school councils. DET's website explains that these materials complement the SPAG.

DET has improved its guidance on school finance responsibilities. In 2017, DET updated its *Finance Manual for Victorian Government Schools*. This manual explains the mandatory requirements for school councils in relation to their financial responsibilities.

DET has also improved its training for principals and business managers based on this manual, through its Finance Matters training program. DET is also developing a capability framework for school business managers to enable them to provide effective financial support to the school.

Accessibility of guidance

DET provides guidance relevant to school councils through a number of channels and formats, including:

- public website—SPAG policies, guidance material and templates, ISG modules, other governance and human resources material
- intranet—contracts, infrastructure and school cleaning
- face-to-face training—based on online ISG modules
- email communication—newsletters, notifications to schools and formal communications to school councils.

However, guidance, or a complete set of links to the guidance, is not located in one central, accessible location for all school council members.

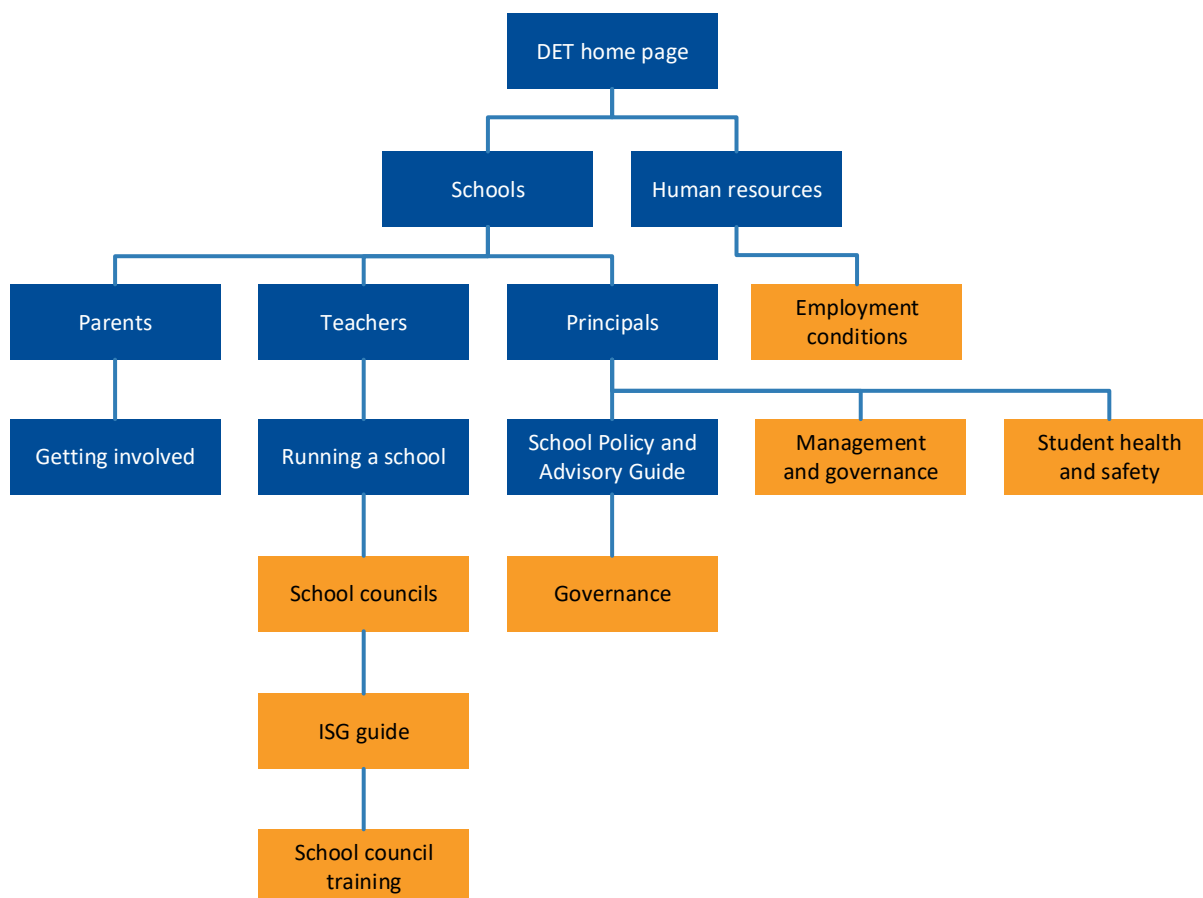
Public website

DET's guidance to school councils is hard to find on its public website.

Figure 2A highlights that pages relevant to school councils are located in multiple sections within DET's website. It also highlights that school council information is found on pages intended for teachers and school principals.

On DET's public website, it has a webpage titled 'School councils', however it is located within a section on teachers. It does not provide links to all the information DET provides to assist school council members in their role. As such, information for school councils is dispersed and hard to find.

Figure 2A
The structure of DET’s website, as at July 2017



Key: ■ Webpages relevant to school councils.

Source: VAGO based on DET’s website.

DET’s public webpages do not provide links to all ministerial orders that school councils must comply with. These include:

- the constituting order of each school council
- ministerial orders that provide directions specifically to school councils— we identified 18 ministerial orders that directly allocate responsibilities to school councils (see Appendix B), but we could only locate five of these on DET’s public website
- ministerial orders that provide directions to the school in general—school councils are required to ensure that their school is compliant with these orders within the limits of their functions.

DET stores ministerial orders on an internal system called eduPass that is only accessible to central office staff. School councils and principals do not have access to this internal system. However, school councils can request copies of ministerial orders from DET.

The result is that school council members—including principals—cannot easily and adequately inform themselves about their obligations and locate the information they need to make decisions. It also places an additional expectation on their principal, as the DET representative, to be a primary source of advice and guidance.

DET has acknowledged the efficiencies to be gained by making the ministerial orders available publicly.

Intranet

DET's intranet is only accessible to the school council president, the principal and DET employee members through their eduMail accounts. This results in an imbalance in the information available to each school council member.

Even where school council members can access the intranet, it is difficult to navigate. Information on the intranet that is relevant to school councils includes:

- legal agreements and templates for contract management
- DET's school cleaning contract policy, guide and panel search tool
- information on training for DET's bricks-and-mortar asset management program
- templates that schools are required to use for strategic planning (school review self-evaluation, school strategic plan, annual implementation plan, annual report to the school community)
- templates for policies required by the minimum standards for school registration (student engagement and inclusion, visitors and emergency management planning).

Face-to-face training

DET started its training program targeted at school councils in term three of 2015, with the objective of supporting school council members to confidently and effectively fulfil their role. DET outsources this training to external providers. Training modules are based on the ISG guide and include governance, finance, strategic planning, and the role of the school council president. DET is currently developing a training module on policy and review.

However, DET has not developed an implementation plan to ensure training is achieving its intended objectives and sufficiently reaching its audience. DET is yet to identify:

- the participants it seeks to attract to training (such as new school council members)
- the coverage of training it aims to provide across the state
- the optimum number of council members and category of members participating per session and per council to maximise learning outcomes
- an approach for increasing new school council members' awareness that training is available.

DET has two separate webpages relating to school council training. The page with information for school councils describes:

- availability of training—statewide face-to-face or online modules
- cost—training is provided at no cost to schools
- attendance expectations—training is voluntary, not compulsory.

This page also provides links to the two training providers that DET uses—however, only one of these providers gives information on the dates, times, duration and location of training events.

DET's other webpage dedicated to ISG training only provides an email address for school council members interested in finding out more. It does not link to the information DET provides.

Attendance

Since the training started in term three of 2015, DET has offered individual training sessions for four of the five governance modules—see Figure 2B.

Figure 2B
Training sessions for school council members, 2015 to 2017

Training module ^(a)	Sessions provided		
	2015 ^(b)	2016	2017
Governance	87	131	98
Finance	59	62	102
Strategic planning	37	44	58
School council president	13	60	21
Total	196	297	279

(a) DET is currently developing training for the fifth module, policy and review.

(b) 2015 training was only provided in term three.

Source: VAGO based on DET's training attendance data.

Figure 2C shows the rates of attendance for training modules between 2015 and 2017. The governance module has attracted the best attendance rates but, even at their highest in 2016, attendance was still low compared to the number of school council members involved.

Figure 2C
Attendees at school council training sessions, 2015 to 2017

Training module	2015	2016	2017		Total attendees	Attendees as a percentage of all school council members
	Attendees	Attendees	Attendees	% total		
Governance	1 093	1 892	1 350	7.67	4 335	24.63
Finance	648	623	1 053	5.98	2 324	13.20
Strategic planning	338	437	575	3.27	1 350	7.67
School council president	68	394	110	0.63	572	3.25

Note: DET’s register shows that in 2017, there were 17 600 school council membership positions filled. All percentage calculations were based on this membership.

Source: VAGO based on DET’s training attendance data.

The data that DET has collected to date does not allow it to identify which school councils have members attending training sessions or the membership categories of these attendees. This limits DET’s ability to identify the coverage of school council training across the state and prioritise the location of its future training sessions.

Until 2017, DET only collected information on:

- the location of training sessions
- the total number of schools represented
- the total number of attendees.

Since term two of 2018, DET has collected additional information on whether attendees have attended training before, the position they hold on school council, their membership category and their view on the effectiveness of the training. This will enable DET to better target training and increase confidence that the capability of Victoria’s school councils is improving.

In response to our survey, many school principals and council presidents responded that they valued the training. They indicated that their members should be taking up the training opportunity—particularly when first joining their school council. However, a common theme in the responses was that attending face-to-face training could be onerous for volunteers. Respondents highlighted the need to improve the clarity of the training material and consider online alternatives to the face-to-face training format.

In our forums, we heard that there are barriers to school council members accessing the training sessions for all modules. These barriers were echoed in our survey results—council members in regional areas described the need to travel considerable distances to attend training, while others discussed the challenge of juggling commitments with young families or trying to arrange childcare to attend evening sessions.

Assessment and evaluation

DET's training does not include any assessment component to test whether attendees have understood the role of the school council and its responsibilities. DET relies on self-attestation to know whether school council members have improved their understanding of the role.

DET conducts evaluations at the completion of each training session and, through this process, has received positive feedback from attendees. Attendees report that the training improved their understanding of:

- the governing role of the school council, including their role as members
- the differences between governance and operational responsibilities
- council procedures.

While DET has a clear objective for its training of school council members, it does not have an implementation or evaluation plan to ensure the training is achieving this objective.

2.3 Support

DET provides support to school councils on administration, governance and legal matters, and keeps school councils informed through direct communications.

Assistance with administration and governance

DET could do more to improve school council members' awareness of the support it offers on administration and governance.

DET's ISG guide explains the role of DET's regional offices in providing advice and support services to the school as a whole. Their services cover a wide range of topics including school management, workforce planning, leadership, youth pathways and student wellbeing. However, these topics are not relevant to school councils as they do not relate to school council functions.

DET's ISG guide does not explain the nature of the support services DET offers to school councils through two full-time staff in its School Operations and Governance Unit. This unit provides dedicated support to the 1 534 school councils about their public administration duties and governance. DET updated its ISG guide during our audit to provide an email address for the unit and to explain that it can offer advice on the roles and responsibilities of school councils. However, this update did not explain the unit's role or how it relates to DET's regional offices.

During our audit, DET described how it explains to schools and school councils the assistance the School Operations and Governance Unit provides—it communicates through school updates and newsletters, at regional forums and at various presentations. However, the forums are primarily attended by principals and DET staff, and updates and newsletters are not accessible to all school council members. Direct access is limited to principals, school council presidents and DET employees who have an eduMail account.

During our school council forums, we found that school councils had a low awareness of DET's School Operations and Governance Unit and the dedicated assistance it offers to them.

As DET does not record the support requests it receives through the regional offices or through the School Operations and Governance Unit, it does not have data on the type or frequency of information that school councils request. Therefore, DET is not able to identify common themes or opportunities to improve its guidance to meet the needs of school councils.

DET's School Operations and Governance Unit advised us that most of the issues it dealt with related to:

- a breakdown in the relationship between the principal and school council members
- lack of understanding of the respective roles of the school council and principal
- behaviour of school council members that are difficult to manage
- school councils not being provided with adequate and appropriate information to fulfil their role
- individual members who had joined the school council to focus on a single issue of interest to them.

In our survey, we asked respondents to reflect on positive aspects of the support provided to school councils and any barriers to this. In the responses, 250 principals and school council presidents commented on the way DET provides support:

- 107 respondents (43 per cent) told us that DET needed to do more regarding communication.
- 50 respondents (20 per cent) told us that DET should improve its handling of complaints.
- Only 30 respondents (12 per cent) reported that DET's support was helpful.

Legal advice

During the audit, DET told us that general legal advice is available on its intranet—but this advice is only accessible to the principal, school council president and DET employee members of the school council. DET also advised that it supports school councils with legal and quasi-legal advice through its principals.

Challenges arise when school councils need advice about their relationship with their principal or executive officer. DET is not able to provide an effective alternative advice service directly to school councils for these circumstances because it has not yet resolved the ambiguity in the relationship between the school council and the principal.

DET communication to school councils

DET relies on principals to distribute relevant information to school council members in a timely and appropriate way.

DET communicates to schools through newsletters to inform them of changes to legislation, new procedures or requirements, training and general information. DET uses the principal's eduMail accounts to email newsletters and formal communications specifically for school councils. It also uses the school council president's eduMail account for other matters relevant to school councils.

The ISG guide outlines DET's expectation that principals distribute information to school council members. However, DET has no way to assure itself that this occurs effectively as it does not routinely test whether principals are tabling all correspondence intended for the school council.

In 2005, the *Review of School Council Governance in Victoria*—commissioned by the Victorian Government—found that, in some instances, principals acted as gate-keepers of information and recommended that DET develop a communication and support strategy for school councils. The review also found that providing information through the school council president's eduMail account was not an effective way to communicate with council members because presidents did not frequently access it.

When we conducted our survey of school council presidents and principals, we emailed the survey link to their respective eduMail accounts. We found that, of the 1 517 school council presidents emailed, around 72 per cent had not accessed their accounts during the initial three weeks of our survey. This indicates a low level of awareness, despite us alerting principals, school council presidents and each school's administration office prior to its release, alerting them when the survey was open and sending reminders.

In total, only 372 school council presidents (representing 24 per cent of all school councils) completed the survey. After our survey was closed, we received calls from school council members who had not heard about our audit or our survey.

Through our forums, school council presidents advised that there were various reasons why they did not use their eduMail accounts, including:

- forgetting passwords and being unable to log in
- technical issues relating to access
- a preference to use their personal email account over their eduMail account for school council matters.

In these circumstances, school council presidents relied on their principal for important correspondence. While this is in line with the principal's role as the school council's executive officer, it allows the principal to control which information reaches school council members.

2.4 Oversight

Oversight of school councils' financial activities

DET meets its obligations under the ETR Act and the FM Act to oversee and provide assurance over school councils' financial activities. DET has improved its assurance over school councils' finances since we identified in the *Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2014–15* that we could not rely on DET's financial assurance.

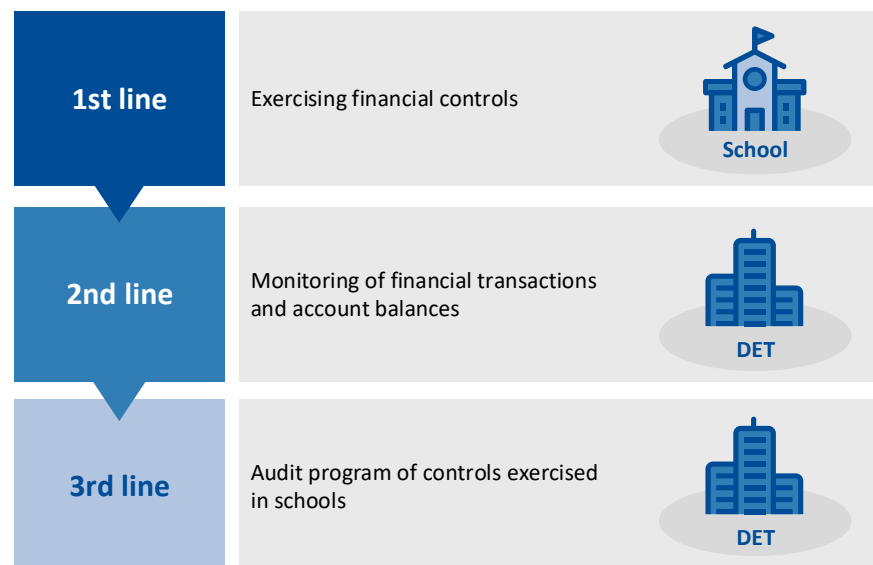
DET has established a dedicated risk-based School Council Financial Assurance Program to provide assurance over the financial internal controls and transactions at the school level. It assesses whether school councils have kept proper accounts, records and systems for schools, and whether effective internal control systems relating to financial management, performance and sustainability—including financial, operational and compliance controls—are in place.

While DET is not able to direct school councils to comply, it follows up noncomplying schools and works with their principals. It has also improved its guidance to principals, business managers and school councils to improve their understanding of their financial obligations.

This program provides assurance over the consolidated school council financial information presented in DET's 30 June financial accounts.

Figure 2D shows DET's approach for assuring school council transactions and balances. It involves three lines of defence, consistent with DET's risk management framework.

Figure 2D
DET's financial assurance framework



Source: VAGO.

In the *Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2016–17*, we concluded that DET's processes had substantially improved its assurance regime over school council financial activities. The regime now:

- provides DET with a continual improvement process for school councils
- is risk-based and flexible
- provides the opportunity to enhance assurance activities without changing the overall framework.

Assets

In our 2017 audit *Managing School Infrastructure*, we found that DET had limited oversight of each school's asset management activity and their spending on maintenance funding. DET lacked oversight of school councils and how they hold their principals to account for implementing asset management decisions.

DET's asset management reforms aim to improve its oversight by developing an asset information management system. DET intends that each school will:

- develop a set of maintenance plans
- upload them via the asset information management system, to give DET visibility
- evaluate them every five years.

DET anticipates that access to the system will be rolled out in 2018.

Oversight of school council operational activities

DET is not fully meeting all its obligations under the ETR Act to oversee school councils' operational activities. It has neither identified performance measures to benchmark school councils' activities, nor used the authority it gained in 2006 under the ETR Act to conduct effectiveness and efficiency reviews of school councils.

While DET has assurance activities in place for schools' strategic planning, including completion of schools' annual reports, provision of goods and services and after-hours use of the school, it has neither identified nor defined all the operational activities that school councils have a statutory responsibility to undertake. These activities include all the non-financial functions of school councils established by the ETR Act, the Regulations, a ministerial order or direction issued by the minister under the ETR Act. We identified 34 activities that the ETR Act and Regulations assign to school councils that could be considered operational in nature.

DET has not established a risk-based assurance regime over school councils' operational activities as it has done for school council finances. As a result, DET cannot and does not provide the minister with information on the performance of school councils. It is also not able to assure the minister that school councils comply with their functions. As a result, DET does not assist the minister to hold school councils to account for the performance of their functions.

With no performance benchmarks, it is also not possible for school councils to be confident that they are performing effectively and developing strategies for continuous improvement.

We assessed DET’s oversight of the first eight school council non-financial functions as selected from the full suite of activities listed in the ETR Act. We considered whether DET:

- sets clear compliance expectations for school councils through policies or measures of operational activities
- checks if school councils comply with these expectations.

As shown in Figure 2E, DET does not consistently define compliance requirements or check compliance with the requirements.

Figure 2E
DET’s assurance over the first eight school council functions

Operational activities	Compliance requirements explained	Compliance checked
School strategic planning	Yes	Yes
Providing goods and services	Yes	Yes
After-hours use of the school	Yes	Yes
School infrastructure	No	No
School cleaning	Yes	No
School canteen	No	No
Consult school community	No	No
Stimulating interest in the school	No	No

Source: VAGO.

School strategic planning

DET has partial assurance over school strategic planning through the following requirements and compliance checks:

- School council requirements explained in DET’s ISG:
 - prepare and sign the school’s strategic plan with the principal
 - prepare an annual report and ensure a copy is published and made available to the school community.
- DET’s compliance checks:
 - through its Strategic Planning Online Tool (SPOT), DET confirms whether school council presidents have signed their annual report
 - through its regional officers, DET confirms whether school council presidents have signed their strategic plans
 - through its school council financial assurance program, DET confirms whether school councils have presented their annual report to their local school community.

During our audit, DET was in the process of rolling out SPOT. DET advised that, when implemented, it will also require school council presidents to sign their school's strategic plan through the online tool. DET advised that while SPOT has not been designed as an assurance tool and is not intended to be used as one, DET does expect SPOT to improve its ability to monitor aspects of school strategic and annual planning.

Providing goods and services

DET has assurance over the way school councils provide goods and services through the following requirements and compliance checks:

- School council requirements explained in DET's ISG:
 - to comply with DET's *Procurement Policy for Victoria's Government Schools*.
- DET's compliance checks:
 - through the principal's annual attestation, DET confirms whether schools comply with the procurement policy requirements
 - through its financial assurance regime, DET confirms whether school councils are complying with these requirements.

After-hours use of the school

DET has assurance over after-hours use of the school through the following requirements and compliance checks:

- School council requirements explained in DET's ISG:
 - to comply with DET's *Procurement Policy for Victoria's Government Schools* which require school councils to use DET's agreement when entering into contracts.
- DET's compliance checks:
 - through DET's school council financial assurance program, DET confirms whether school councils use its contracts.

3

School council establishment, obligations and accountability

Schools are an operational arm of DET—DET is responsible for their core function of delivering educational outcomes, acting on behalf of the minister. However, responsibility for managing government schools is split between DET and the school council, with the school principal accountable to both.

School council responsibilities range from advising and sharing decisions with the school principal, to making decisions on matters such as raising and using school funds, managing school premises, and appointing temporary staff. School councils are also responsible for engaging school communities to build and maintain confidence in the school.

If school councils are to effectively perform their role, their members need to have relevant knowledge and skills. They need to understand their role and accountabilities and how they relate to the school principal's role.

We assessed whether school councils' roles and responsibilities are clear and whether school council members understand them to effectively meet their obligations outlined in the ETR Act.

3.1 Conclusion

Although DET has improved its guidance since 2015, it has not provided an explanation of the policy intent of school councils or a practical interpretation of the ETR Act's broad objectives for school councils. DET does not provide guidance on how school councils can achieve the intent underlying these objectives. Without this clarity, school councils are not equipped to meet their legislative objectives, limiting the ability of the minister to hold them accountable for their functions.

DET does provide guidance on some of the functions of school councils and how their activities differ from those of principals, but it does not explain how the role of the school council complements the role of the school principal and where the lines of authority are drawn. The lack of guidance on accountabilities within the governance framework means that school councils do not understand their accountability to the minister or DET's role in overseeing their performance on the minister's behalf.

DET's guidance provides further confusion by explaining that a function of school councils includes developing, reviewing or updating school policies as required by law or DET policies—even though the minister has not delegated to DET the power to set policies with such requirements. DET can do more to provide school councils with practical guidance to address areas of ambiguity.

While the school principal is required to implement decisions made by school councils, there is no process for the school council to take action if the principal does not meet its expectations. In our survey, school councils and principals indicated that decision-making is an emerging challenge.

As DET lacks clarity on the demarcation of responsibilities between the school council and the principal, schools and school councils risk conflicts arising that cannot be resolved and that undermine the performance of the school council and, consequently, the school itself. While DET has developed a process to manage the conduct of school council members, it lacks a process to adequately supports both school councils and the principal in resolving governance disputes.

3.2 Establishing the school council

As explained in Figure 3A, each constituting order tailors the composition of the school council to suit each individual school. The composition of members ensures that decisions are not dominated by individuals or particular membership subsets.

Figure 3A School council composition

The composition of school councils should adequately represent the multiple and diverse views in the school community so that sound decisions are made. To fulfil this, the minister:

- specifically determines the number of members in each school council and the balance of DET staff, parents, community members and students in the school council's constituting order
- requires that the school community vote for parent and DET employee members.

One of the minimum standards for school registration specifically relates to governance, including democratic principles and probity. The MOU between VRQA and DET explains that school council elections form the quality assurance for this standard. DET commits to monitoring and maintaining a central database for school council membership.

Note: The student member category only applies to schools offering year 7 and above. Students are voting members.

Source: VAGO.

The school principal is responsible for ensuring school council elections are conducted according to Ministerial Order No. 52 *School Council Composition and Elections*. The order requires the principal to manage the election process by 31 March and inform DET of the details of appointed members and office bearers by 30 April. DET offers support and guidance to the principal on the election requirements—guidance is publicly available on its website. DET relies on principals to oversee the election processes, while complaints it receives alert it to noncompliance.

DET has a central database to record the details of school council members, known as Schedule 7. This database contains the total number of school council members and the number of individual members in each category as determined in each school council's constituting order. DET advised us that, in 2016, it assured the accuracy of the membership details for each school council in accordance with their constituting orders through an internal audit. DET continues to update the database when the minister approves changes to the size and configuration of existing school councils and when new school councils are established.

DET monitors the Schedule 7 database to confirm that principals are declaring membership details each year and that these align with membership composition specified in constituting orders. DET follows up with those that have not done so.

DET updates Schedule 7 throughout the year. In December 2017, DET recorded the total membership of school councils as follows:

- 19 080 member positions defined in constituting orders
- 17 600 member positions filled, as declared by principals
- 1 480 vacant positions (around 8 per cent).

Some 127 school councils had a vacancy rate of 25 per cent or more. As an example, a school with 12 member positions had eight vacancies. DET relies on school principals and school councils to monitor their own vacancies and to address any membership issues. This could include applying to the minister to reduce the size or change the composition of the school council or to co-opt members to fill vacant positions.

School councils are legally allowed to operate with member vacancies. However, they must achieve a quorum for each meeting to proceed and to make decisions. For school council meetings to achieve a quorum, non-DET members must outnumber DET employee school council members. Where vacancies are concentrated in parent or community membership categories, the risks of not achieving a quorum increases.

DET does not monitor the Schedule 7 database to identify this risk. It relies on school principals and school councils to monitor their own vacancies and to address any membership issues. Through its audits conducted in 2016–17, DET found that of the 267 schools audited, 38 schools did not meet quorum requirements (around 14 per cent). DET’s audits did not identify whether school councils continued to make decisions without a quorum.

Where these vacancies are concentrated in certain membership categories, and meetings are held without a quorum, decisions may also be influenced by particular members or member groups—for example, where vacancies are concentrated within parent or community member categories, DET staff members may have greater influence over decisions. This risk is increased by DET staff members having greater access to information through DET’s newsletters and notifications. Not all school council members have access to this information—only DET staff and the school council president have direct access to newsletters and notifications through their eduMail accounts.

Challenges in recruiting members

In our survey, 45 per cent of responding schools identified the greatest challenge in recruiting members as finding ones with enough time to take on the role. Other challenges included:

- lack of interest
- reluctance to take on responsibility
- lack of relevant skills
- lack of understanding of the role.

Those schools in remote and rural areas experienced the greatest difficulty in recruiting members. Schools in socially disadvantaged areas were more likely to experience multiple challenges in recruiting members.

School councils may include members from the local community. School councils can use this option if they require certain skills or expertise, or if they are not able to recruit such skill sets through their parent category members. However, very few councils use this option to recruit members with specific skills in finance, strategy and policy development. In our survey, we found that very few school councils considered the mix of skills and expertise needed to meet their objectives. Only 15 per cent of respondents use a skills matrix to identify strengths and gaps in members’ skills.

As a result, nearly half of school councils prioritise filling membership positions with members who can make the time commitment, but do not necessarily have the right mix of skills and experience to fulfil the school council’s objectives and deliver on their responsibilities.

3.3 The role of the school council

The legislative objectives defined in the ETR Act provide the basis for the school council's role in the school governance framework. The objectives assign school councils with governance, decision-making, strategic performance and compliance roles that can appear similar to a governing body of a public entity, such as the board of a TAFE or a health service.

However, the terms used are open to interpretation—DET has not explained how the objectives are intended to apply in practice. Ambiguous phrases in the ETR Act include:

- 'assist in efficient governance'
- decision-making in the 'best interests of students'
- improve 'educational opportunities'.

We assessed the legislative responsibilities of school councils and identified multiple governing roles that school councils are required to fulfil, which include:

- consulting with the community
- advising the principal and DET
- being the equivalent of a governing board for some responsibilities (such as approving the budget and annual report).

A school council shares some decision-making with its principal, such as endorsing the school's strategic plan and approving payments and capital projects. The principal and school council also share responsibilities for compliance and assets.

In its guidance to prospective and existing school council members, DET describes the separation of the functional responsibilities of school councils and principals. However, it does not explain the role of the school council in the school governance framework or how this particular framework supports government schools to achieve the best outcomes for students. On DET's website, it states very broadly:

School council is the governing body in Victorian schools, with membership drawn from the parents, department employees and the wider local community.

As the governing body, a school council can positively influence the quality of education provided to students in their school. School councils need to be effective in school governance and operations. Good governance enables the council to perform efficiently and effectively, strengthens community confidence in the council and helps to ensure the council's reputation is maintained and enhanced.

DET's ISG modules refer to the four legislated objectives of school councils, as shown in Figure 3B.

Figure 3B

Guidance to school councils on their legislative objectives

Objective	ISG guide	
Assist in the efficient governance of the school	<p>Does:</p> <ul style="list-style-type: none"> describe good governance. 	<p>Does not:</p> <ul style="list-style-type: none"> clarify what efficient governance means or what it is specifically expected to achieve explain how school councils are expected to 'assist' in a practical context.
Make decisions in the best interests of students	<p>Does:</p> <ul style="list-style-type: none"> describe decision-making provide strategies for effective and informed decision-making at school council meetings explain how a casting vote by the school council president is to be used, and how to manage conflicts of interest. 	<p>Does not:</p> <ul style="list-style-type: none"> explain where ultimate decision-making authority lies for decisions that are shared by the principal and the school council (for example, sign-off on the strategic plan, payments and capital projects) explain what should be taken into account when considering the 'best interests of students' clarify how to appropriately balance the interests of students with other components of the school environment, such as staff, the school community, assets and finances.
Enhance educational opportunities of the students	<p>Does:</p> <ul style="list-style-type: none"> link opportunities to enhance educational outcomes by explaining that, acting as a team, council supports the principal to provide the best possible educational outcomes for students. 	<p>Does not:</p> <ul style="list-style-type: none"> explain whether and, if so, how school councils' requirement to enhance educational opportunities relate to DET's programs to enhance educational outcomes.
Ensure the school and the council comply with any requirements of legislation and ministerial orders or directions	<p>Does:</p> <ul style="list-style-type: none"> suggest policies be created to assist in compliance with legislative and other requirements. 	<p>Does not:</p> <ul style="list-style-type: none"> explain how compliance responsibilities are to be shared with the principal and DET, or the specific monitoring school council should undertake to ensure compliance with legislative and other requirements explain requirements for joint attestation, with the principal, on compliance with minimum standards for registration to provide assurance that the school has the prerequisites of an effective school.

Source: VAGO.

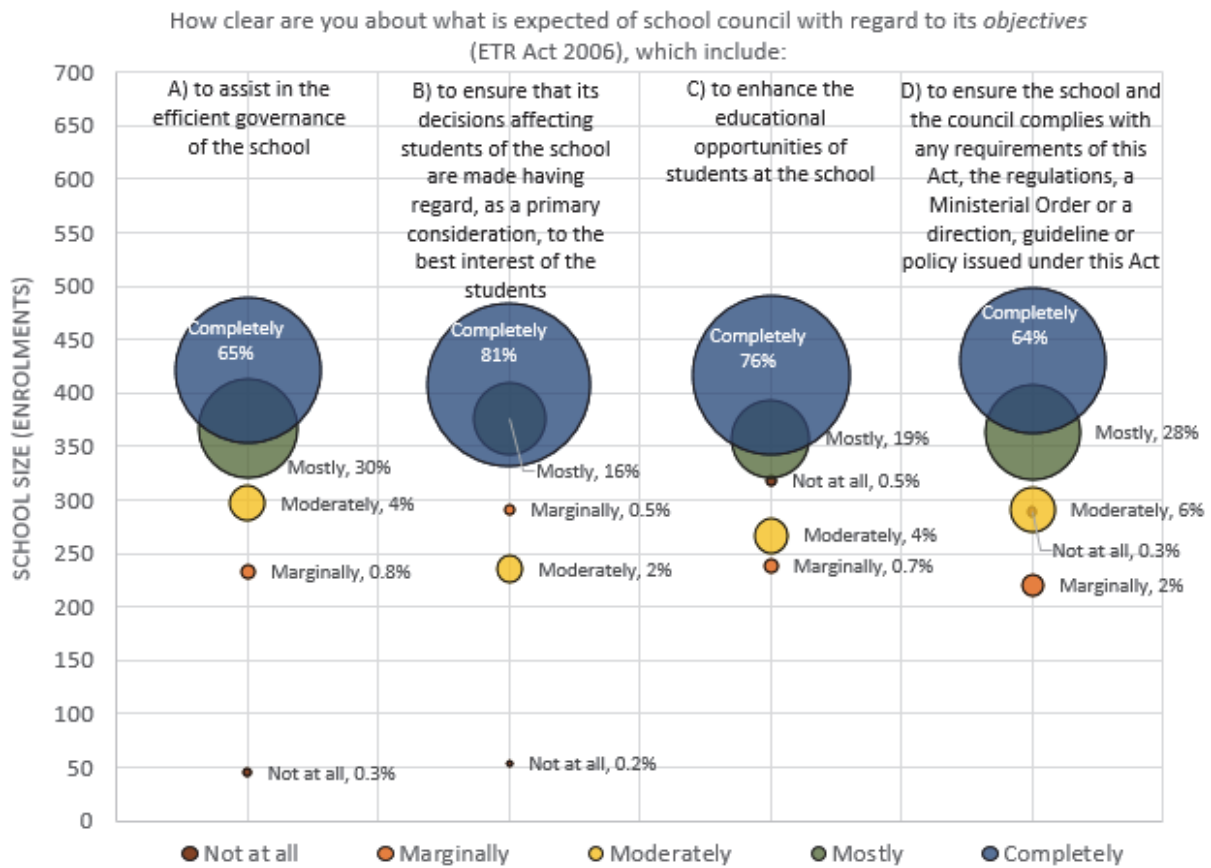
DET's guidance does not:

- clarify that school councils are not established with the same intent of, and are unique from, other governing bodies or public entities
- explain how school councils are expected to practically meet those objectives
- provide clear benchmarks to assist school councils to assess whether they meet the objectives.

Without such guidance, council members and principals can interpret each legislative objective differently, which can contribute to challenges in making decisions and resolving disagreements.

In our survey, the majority of respondents reported that they were completely clear about the four legislated objectives of school councils, as shown in Figure 3C. This clarity declined with school size.

Figure 3C
Understanding of school council objectives



Source: VAGO—School councils in government schools survey.

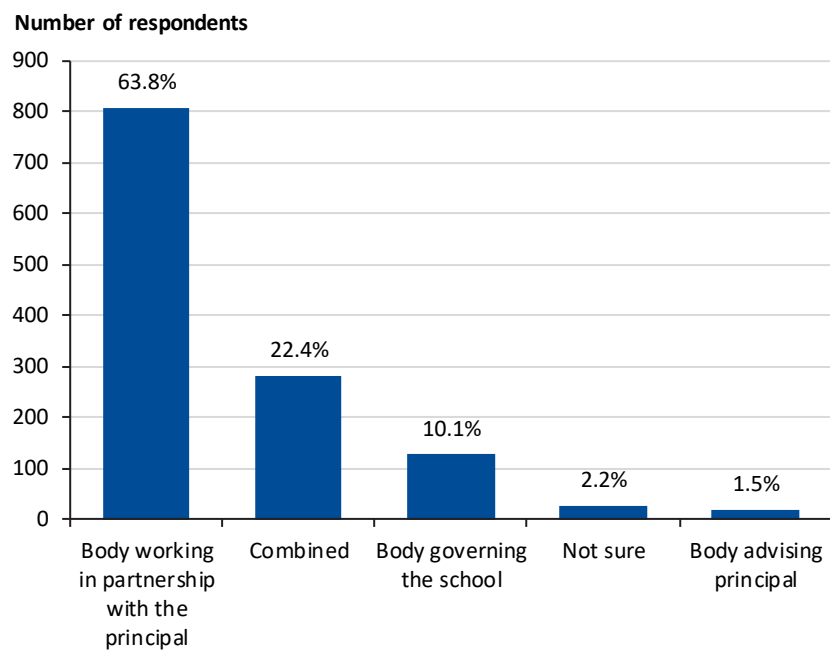
School council presidents and principals had a variety of views on what the role of the school council is, as shown in Figure 3D.

Close to two-thirds of respondents stated that school councils operated as a partnership with the principal. However, in their role as executive officers, principals are required to implement certain school council decisions. To view the school council role as a partnership with the principal blurs the boundaries between school councils and the executive officer.

DET removed reference to the partnership between the school council and principal when it replaced its *Making a Partnership Work* guidance with its ISG guide in 2015. However, some schools continue to use this terminology and provide the old guidance material on their websites.

Just over 10 per cent described the school council as a ‘body governing the school’, while a small proportion thought the role was to advise the principal. DET uses the term ‘governing body’ to describe school councils. However, given the shared governance roles across DET, principals and school councils, the phrase ‘body governing the school’, in the way it would ordinarily be understood, does not accurately describe the school councils’ role.

Figure 3D
Survey respondents’ understanding of the school councils’ role



Source: VAGO—School councils in government schools survey.

A school council relies on the principal to fulfil its duties. For example, DET requires the school council president to attest to the school’s compliance on behalf of the school council in annual reports, and DET requires these annual reports to be submitted to it by 30 April. As school council elections are completed by 31 March each year, presidents elected during the same year only have one month to ensure their school complies. As DET does not provide information on what assurance a president might seek prior to making an attestation on the compliance of his or her school, school councils rely heavily on the principal to confirm that the school has complied with the minimum standards.

In their responses to our survey, school presidents and principals highlighted reasons for uncertainty about the demarcation of responsibilities between the school council, principal and DET—see Figure 3E. These comments were consistent with the themes discussed in our forums.

Figure 3E
Comments from school councils and principals about the governance framework

‘At times I find it a challenge differentiating between my role and the principal’s leadership role and being new to the job it can be a bit overwhelming when lines are crossed.’—School council president at a primary school

‘Understanding the boundaries between the responsibilities of the principal and school council. A [DET] training session has been [provided], but providing further general guidelines would be useful.’—School council president at a primary school

‘Most council members have a very clear understanding of their role and that of the principal. The particular difference between [DET] and ministerial responsibilities is less well appreciated.’—School council president at a secondary school

‘There is a general lack of knowledge and understanding of their role, [DET] and their obligations. Professional learning although offered is not always taken up.’—School principal

‘The reality is that the line is very blurred—DET’s own documentation does not help as it basically says that council can intervene and interfere in anything because basically everything is connected to the strategic plan. I know [DET] thinks that is not what it says but in the school that is how it appears and if it is a difficult council they will take full advantage of that.’—Principal of a secondary school

‘A principal needs to work in conjunction with the school council and not go off ad hoc with decisions that should involve the school council.’—School council president

‘My school community and members of school council have previously had the opportunity to ‘run’ the school and dictate what occurs in the school. With this being changed under my tenure, a minority of community members have been dissatisfied and actively sort [sic] to remove the principal from the school by lodging continuous vexatious complaints to all levels of [DET].’—School principal

Source: VAGO—School councils in government schools survey.

Our survey confirmed emerging issues in the role of school councils. The most frequent related to decision-making—62 per cent of comments received identified this is an issue. While school councils and principals may feel they understand the intent of their objectives, they are not equally as confident about how their role works in practice. The ETR Act assigns school councils with distinct responsibilities and the school principal—as the council’s executive officer—is required to implement their decisions. Unclear understanding of this arrangement becomes obvious when disputes arise.

Since 2000, reviews by DET and the government have also identified weaknesses in school council members' understanding of their role. These reviews have highlighted the ambiguity of school councils' status—particularly as a body legally separate from DET, but subject to its oversight. It is unclear to what extent school councils are independent from DET in practice and what degree of responsibility they have for school performance.

DET's 2014 report *Review of Governance in Victorian Government Schools* concluded:

It was the more limited nature of the school council's role and the dominant role of the principal (compared with those of a board of directors and a CEO) that was of issue to those interviewed with broader board experience. Government school councils were seen as being more involved in the business-as-usual than a board of directors would be, with the principal having more influence than a CEO would have.

Requiring school councils to comply with DET policies

Government schools form part of DET. As such, DET is responsible for most of schools' operation and performance, as well as their compliance with requirements of the ETR Act and its associated legal instruments. DET also issues requirements and policies that schools must comply with. Through their employment agreements, school principals are responsible for complying with these requirements.

DET, however, shares its governing responsibilities with school councils. In exercising their functions, one of the objectives of school councils is to ensure that their school complies with any requirement of the ETR Act and its associated instruments.

DET is responsible for providing guidance to school councils and assisting them with governance. DET cannot, however, require school councils to comply with its policies—the minister has not delegated this power to DET. On two matters, the minister has directed school councils—through ministerial orders—to comply with DET policies. The first of these orders requires school councils to comply with DET's *Procurement Policy for Victorian Government Schools*, while the second requires metropolitan government schools to provide school cleaning services in accordance with arrangements approved by DET.

Despite this, DET's ISG guide explains that school councils are required to comply with its requirements, in addition to requirements of the ETR Act and its associated legal instruments. Examples of such DET statements include:

- '[DET] requires schools to have policies about certain topics, some of which are the responsibility of the council to develop'
- 'A school council will develop a policy because departmental policy or legislation requires a school to have a policy on a particular topic'.

Such conflicting statements create ambiguity. DET needs to amend its guidance to clarify whether a policy is a requirement for the school or the school council. If it is the school that must fulfil the requirement, DET's guidance should explain what is expected of the school council in ensuring the school complies. If it is the school council itself that must fulfil the requirement, DET's authority for putting such a requirement in place should be identified.

DET's changing interpretation of the school council role

During our audit, DET was in the process of reviewing its interpretation and guidance to school councils on their role and their legal obligations. DET updated its guidance to explain the obligations for school councils in relation to policies that schools must have in place.

DET also changed its guidance for school council presidents about the minimum standards for school registration. DET's ISG guide explains that school councils and principals have a role in ensuring their school complies with the minimum standards for registration. Through its MOU with VRQA, DET required school council presidents to attest to their school's compliance with these registration requirements in their school's 2016 annual report.

As a result of DET's review of the school councils' legal obligations, DET amended the attestation requirements for school council presidents for 2017 annual reports—it now only requires school council presidents to attest to their school's compliance when DET considers the school council has a specific statutory responsibility—for example, compliance with Ministerial Order No. 870.

DET is yet to clarify the extent of the school council responsibility and the measures the school council is expected to put in place to manage compliance risks with all legal requirements on the school.

Lines of authority

DET's ISG governance modules provide guidance on the separation of the functional responsibilities of school councils and principals, but the only reference to the broader distinction between the governing roles of the principal and school council is the following statement:

The school council has a governance role and the principal manages the school and is responsible for ensuring the delivery of a comprehensive education program to all students.

The ETR Act states one of the objectives of a school council is to 'assist' in the efficient governance of the school and requires the principal, as the school council's executive officer, to implement its decisions. DET has provided no explanation of how these potentially conflicting requirements should be interpreted.

In the absence of clear lines of authority and an agreed understanding of accountability for performance and compliance, the effectiveness of school governance relies on good working relationships and agreement between school councils and principals.

Resolving disputes with principals and within school councils

With shared governance roles, it is inevitable that disagreements or disputes will occur at times. When a school council is working cooperatively with the principal, decision-making works well and disagreements can be resolved. However, if the dynamics change and the relationship deteriorates, disputes can be exacerbated by unclear role boundaries.

DET's School Operations and Governance Unit advised us that the most significant issue they respond to is breakdowns in the relationship between principals and school councils. We found examples of disputes that were unresolved due to a lack of clarity in the demarcation of responsibilities between the school council and the principal. This has impacted the health and wellbeing of all involved.

During term two of 2018, DET developed a process for supporting school councils to manage disputes, explained in its document *Managing School Council Conduct*. In addition to reminding council members of their obligation to abide by the *Victorian Public Entity Directors' Code of Conduct* (2006), this document explains that conflict can be effectively managed if school council members have a clear understanding of their roles and responsibilities.

In *Managing School Council Conduct*, DET sets out a three-step process that relies on the principal and school council agreeing on steps to resolve the dispute. As a last resort, DET may formally investigate a dispute that cannot be resolved and, if members refuse to participate in the process, DET may recommend to the minister that their membership be suspended or terminated.

While principals may seek advice on resolving disputes from DET's regional offices, DET's process does not explain an equivalent avenue for school councils to seek advice independently of their principal. The process relies on DET's regional offices to work with school councils, even though they are responsible for providing operational support to the principal in their day-to-day work.

As the employer of the principal, DET's ability to conduct an independent and transparent investigation is ultimately constrained.

Removal of school council members

Under the Regulations, school councils have the power to remove office bearers—including their president or vice-president—from their positions within the school council based on grounds for removal outlined in their constituting order. DET has not advised the minister that the constituting orders do not currently define these grounds for removal, nor has it provided any guidance to school council members about how they can use this power.

Further, DET also has not explained that only the minister can remove individual school council members.

School council functions

DET's ISG guide provides guidance to school councils in four broad areas—strategic planning, finances, community engagement, and policy development and review. However, DET's ISG guide does not provide a comprehensive list of all the functions that the ETR Act and its related legal instruments confer on school councils.

We identified 34 references to school councils' obligations in the ETR Act and the Regulations alone. DET's ISG guide only lists 15 functions of a school council. As a result, school councils are not able to readily identify the functions for which they are accountable to the minister.

In Figure 3F, we analysed the functions that relate directly to these four broad areas, recognising that the ETR Act, Regulations, ministerial orders and ministerial directions provide further functions for school councils. Although DET's ISG guide aims to clarify the functional split between principals, school councils and, where relevant, DET, it does not address the ambiguity of the school council role and lines of authority.

Figure 3F
School council responsibilities

Legislative requirement	Our assessment of the ISG guide	School councils' understanding (from our survey results)	Performance
Strategic planning			
<p>School councils:</p> <ul style="list-style-type: none"> • must prepare and sign the school strategic plan with the principal, and provide it to DET for endorsement • must prepare an annual report and ensure a copy is published and made available to the school community. 	<p>DET's ISG guide:</p> <ul style="list-style-type: none"> • does not clarify ultimate decision-making power or how the responsibilities for approving or signing the school strategic plan or annual report is shared with the principal • does not explain the expectation for school council involvement in developing the school strategic plan or annual report • does not explain the legislative obligations of attestations or outline the consequence of a false, misinformed or misleading attestation. 	<ul style="list-style-type: none"> • Fifty-eight per cent of respondents felt that council members mostly understood their school's strategic plan, while 16 per cent indicated that members completely understood it. • School councils highlighted that they had varied involvement in developing these documents—some explained that they were intricately involved, while others explained the documents were prepared by their principals and they merely signed them. • School council members told us that parent members are unsure of their exposure to liability in a range of situations, and this was a factor involved in attracting members to volunteer. 	<p>DET confirms that school council presidents must sign their school's strategic plan before DET approves it. DET intends for its SPOT to enable it to centrally collate status updates, to assist DET to identify school councils that require additional support.</p> <p>All school councils prepared an annual report. However, DET's financial assurance regime found that during 2016–17, only 73 per cent of school councils audited presented their annual report to their school community.</p>
Finances			
<p>School councils:</p> <ul style="list-style-type: none"> • approve the annual budget, approve and monitor school expenditure and investments, and ensure financial controls are in place • raise funds for school-related purposes through fundraising and voluntary parent contributions. 	<p>DET's ISG guide:</p> <ul style="list-style-type: none"> • is inconsistent with guidance provided to the school on who is responsible for establishing internal financial controls—school guidance explains that the principal is responsible, while DET's ISG explains that the school council is responsible • does not explain school council obligations under the <i>Fundraising Act 1998</i> or penalty consequences for noncompliance • does not require the school council to demonstrate compliance with internal financial control requirements—DET only requires the principal to attest to the presence of key internal controls without the council having any visibility on this attestation. 	<p>The majority of respondents reported that they were completely clear about how to:</p> <ul style="list-style-type: none"> • raise funds for school-related purposes (65 per cent) • ensure that all money coming into the hands of the council is expended for proper purposes relating to the school (83 per cent). 	<p>DET's financial assurance regime found that school councils have not always adequately overseen their school finances. It highlighted that the underlying cause is that either the school council, principal or business manager are unaware of their requirements.</p> <p>DET's internal audits of school council revenue raising between 1 July 2016 and 28 February 2017 found that nine out of 30 audited schools (30 per cent) did not comply with requirements relating to fundraising. DET's report titled <i>Review of Revenue Collection Processes for Locally Raised Revenue and Parent Payments</i> highlighted that the root cause of this noncompliance was that there was a lack of awareness of DET's requirements in relation to school council governance.</p>

Figure 3F
School council responsibilities—*continued*

Legislative requirement	Our assessment of the ISG guide	School councils' understanding (from our survey results)	Performance
Community engagement			
<p>School councils:</p> <ul style="list-style-type: none"> inform themselves and take into account the views of the school community when making decisions generally stimulate interest in the school. 	<p>DET's ISG guide:</p> <ul style="list-style-type: none"> provides some examples of how school councils can consult with their school communities but does not explain how school councils can determine the adequacy of such engagement. 	<p>Some 48 per cent of respondents reported that they were completely clear on their responsibility and accountability to the school community.</p>	<p>DET has no assurance in place over these responsibilities.</p>
Policy development and review			
<p>School councils:</p> <ul style="list-style-type: none"> have the objective of ensuring that their school complies with the ETR Act. The ETR Act requires schools to comply with the minimum standards for registration, including having defined policy and processes in place may determine a dress code that is to apply to students of the school. 	<p>DET's ISG guide:</p> <ul style="list-style-type: none"> does not explain how school councils are expected to share responsibility for compliance with the minimum standards with the principal provides contradicting guidance on the requirements that schools must meet to comply with the minimum standards is inconsistent in the way it describes who is responsible for school policies and procedures to meet school registration requirements—it uses terms 'school', 'school council' and 'principal' interchangeably. 	<p>Some 64 per cent of respondents reported that they were completely clear about how to ensure their school complies with legislative responsibilities. However:</p> <ul style="list-style-type: none"> only 40 per cent stated they had a compliance checklist or procedure in place 39 per cent were unsure whether their school had a compliance checklist or procedure 22 per cent stated they did not have a compliance checklist or procedure. 	<p>Through the 332 school reviews it conducted in 2016, DET identified that all schools—including principal and presidents—attested compliance in their annual reports. However, 53 schools (16 per cent) did not meet the minimum requirements for at least one standard.</p>

Source: VAGO.

3.4 School council accountability

School councils and principals operate complex accountability arrangements within the school government governance framework. While the ETR Act makes reference to the school council's accountability and performance requirements, the ISG guide does not explain that school councils are accountable to the minister for their performance or explain the limitations of this accountability.

DET is involved in holding school councils accountable by reporting to the minister on their performance. However, DET has not explained to school councils how its assurance activities relate or contribute to their oversight responsibilities—including for school compliance. DET does not have a process to report to the minister on school council performance. Combined with a lack of clarity in the governing roles, this limits the ability of the minister to hold school councils accountable for their legislated obligations.

School council delegating powers

School councils can delegate their functions and, while this does not absolve them of accountability, if done strategically, it can assist them to perform their duties. If done well, delegations can minimise administrative burden on school councils while enabling them to have oversight and intervene where necessary. This would require school councils to be able to hold the principal accountable for any delegations and to have an effective dispute resolution process between the principal and school council.

The ISG guide refers to three separate aspects of delegation—delegating to individual school council members, delegating to committees, and the role of the president in delegating.

The ISG guide does not explain the school council delegation powers or how delegation can help school councils to perform their functions more effectively. It does not explain the circumstances in which school councils might delegate, the requirements they need to satisfy, or the processes that the ETR Act requires them to follow.

These delegation powers provide flexibility across the state in how schools are governed. They enable school councils of different sizes with members of varied skill sets, experience and time availabilities, to adopt a working arrangement with their principal that meets their needs. As school councils are not made aware that they have a choice, school councils are not making best use of these opportunities.

School council performance

DET does not use its authority to conduct effectiveness and efficiency reviews of school councils, and school reviews do not consider the performance of school councils. The key form of performance review for school councils is their own self-assessment. Our survey results revealed that only 33 per cent of school councils assessed their own performance.

DET's ISG guide does not explain that there are two separate self-assessment requirements for groups of school councils:

- The PA Act requires school councils established after 1 July 2005 to assess their own performance and the performance of individual school council members. This applies to approximately 8 per cent of school councils.
- The PA Act requirement does not apply to approximately 92 per cent of school councils which were established before this date.

During our audit, DET updated its ISG guide to explain to school council members that they are 'required to undertake a school council self-assessment tool each year, as part of the school's annual self-evaluation process'. As self-assessments are an important best-practice tool for reflecting on effectiveness, DET advised us that the tool could form part of its assurance regime over school councils' activities. However, DET is yet to explain its authority to place such a requirement on school councils.

DET provides a link to a self-assessment tool for school councils on its website. It explains that the tool offers school councils the ability to:

- identify their strengths and areas for improvement
- establish actions for improvement and opportunities for further learning of the council as a whole.

The tool enables council members to provide their view on how well the school council rates against 31 separate items. These items do not include the objectives or all the functions or legal obligations of the school council. The tool also does not provide benchmarks to assist school councils to determine how they have performed.

From 2018, DET expects to have oversight of whether school councils are completing self-assessments as part of the school review process. DET has not provided performance measures or benchmarks that could assist school councils to review their performance against their objectives.

Accountability of the school council's executive officer

DET has authority to issue directions to school principals as their employer. It has processes to ensure principals comply with its requirements.

School principals are also accountable to their school council as their executive officer. However, DET has not worked with school councils to establish processes for executive officers to comply with their obligations to school councils under the ETR Act. It has not established formal mechanisms for school councils to have input into the principal's employment contract, or annual performance evaluation. DET therefore is not in a position to ensure that principals are meeting their requirements as school council executive officers under the ETR Act.

As a result, school councils have no power to hold their executive officers accountable and rely on the willingness of school principals to implement their decisions. They cannot ensure that principals—as executive officers—implement school councils' decisions or provide effective executive support.

Appendix A

Audit Act 1994 section 16— submissions and comments

We have consulted with DET and VRQA, and we considered their views when reaching our audit conclusions. As required by section 16(3) of the *Audit Act 1994*, we gave a draft copy of this report to them and asked for their submission or comments. We also provided a copy of the report to the Department of Premier and Cabinet.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

DET's response is included overleaf.

RESPONSE provided by the Acting Secretary, DET



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BRI020159

Mr Andrew Greaves
Auditor-General
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Dear Mr Greaves

Proposed report: School Councils in Government Schools

Thank you for your letter of 28 June 2018, and the opportunity to comment on the proposed report for the *School Councils in Government Schools* performance audit.

The Department has reviewed the report, accepts the recommendations and has provided an action plan to implement the required improvements.

School councils, and the 17,000 volunteers that serve on them, are a critical part of the governance framework for Victorian government schools. School councils play a key role in setting the school's strategic direction, overseeing the school's budget, and developing and reviewing school policies to support improved student learning outcomes. The Department remains committed to supporting school councils to meet their obligations under the *Education and Training Reform Act 2006* (ETR Act) in order to ensure the best possible governance arrangements for schools and school councils.

I am pleased that the report acknowledges the improved guidance and training that the Department has recently provided to school councillors to assist them to undertake their role effectively. The report also highlights the Department's improved assurance of the financial activities of school councils. The oversight of these activities is an important part of the Department's obligations under the ETR Act and the *Financial Management Act 1994*.

Should you wish to discuss the Department's response, please contact Jonathan Kaplan, Executive Director, Integrity and Assurance Division, Department of Education and Training, on 7022 0119 or by email: kaplan.jonathan.e@edumail.vic.gov.au

Yours sincerely

Katy Haire
Acting Secretary
13/10/2018



RESPONSE provided by the Acting Secretary, DET—continued

DET action plan to address VAGO recommendations: School Councils in Government Schools

#	Recommendations That the Department:	Accept/ Reject	#	Action(s) that address the recommendation	By... (date)
1	Provides an interpretation of the policy intent of school councils under the <i>Education and Training Reform Act 2006</i> to clarify the objective of school councils and the role of all entities within the governance framework.	Accept	1.1	Clarify the objective of Victorian government school councils under the <i>Education and Training Reform Act 2006</i> .	Mar 2019
2	Updates its guidance and training to school councils to reflect the clarified interpretation of school council objectives and their role in the governance framework.	Accept	2.1	Review and update guidance and training for school councillors to provide a clearer understanding of the role and objective of school councils, including the role of the executive officer.	Apr 2019
3	Implements and evaluates a support strategy for school councils that includes: <ul style="list-style-type: none"> • effective communication processes with school council members • a clearly identifiable page on its school council website to enable them to readily access all information relevant to their role • clearly identifying and promoting the departmental assistance available to school councils in their role • targeting training activity to improve the capacity and capability of school councils to fulfil their objectives. 	Accept	3.1	Evaluate the effectiveness of the School Council News e-newsletter to communicate with school councillors.	Mar 2019
			3.2	Develop a dedicated school council web page on the Department's public website for school councillors.	Mar 2019
			3.3	Update the guidance materials for school councils to outline the support available to school councils.	Mar 2019
			3.4	Require school council members, of schools that the DET school council financial assurance process identifies as 'unsatisfactory', to undertake school council training.	Dec 2019

RESPONSE provided by the Acting Secretary, DET—continued

4	Determines the nature of the 'assurance regime' that the <i>Education and Training Reform Act 2006</i> requires the Department to establish over school councils, and implements additional assurance measures as required.	Accept	4.1	Better define how school council functions and powers enable school council operational activities under the <i>Education and Training Reform Act 2006</i> .	Mar 2019
			4.2	Identify new and existing mechanisms to ensure appropriate level of oversight of school council legislated operational activities.	Dec 2019
5	Establishes a process for annual reporting to the minister on school council performance.	Accept	5.1	Using new or existing school council oversight mechanisms (action 4.2), report annually to the Minister on school council performance.	Dec 2019

Appendix B

Ministerial orders

Figure B1
Summary of ministerial orders with specific requirements for school councils

Order	Order #
School council Constituting Orders of each government school	
School Council Composition and Elections	52
Order Amending Order No. 52	311
Order Amending Order No. 52	399
Order Amending Order No. 52	487
Order Amending the School Council Constituting Orders of all Government School Councils	1098
Order Amending the School Council Constituting Orders of all Government School Councils	53
Order Amending the School Council Constituting Orders of all Government School Councils	383
Order Amending the School Council Constituting Orders of all Government School Councils	1018
Order Amending the School Council Constituting Orders of all Government School Councils	1086
School Council Employees (Employment Conditions, Salaries, Allowances and Selection)	1039
School Plan and Annual Report	470
Order Amending Order No. 470	784
Child Safe Standards—Managing the Risk of Child Abuse in Schools	870
Power of School Council to Grant a Licence in Relation to School Lands or Buildings	928
Principal (Selection Procedures and Grounds for Review)	1006
Special Religious Instruction in Government Schools	145
Ministerial Guideline and Direction to Councils of Government Schools—Purchase of Natural Gas	NA
Ministerial Guideline and Direction—Purchase of Electricity Supply by School Councils for all Schools	NA

Note: This list only includes ministerial orders in which the school council is specifically referred to. It does not include the ministerial orders that are directed at the school, for which the school council also has a responsibility to ensure compliance.

Source: VAGO.

Appendix C

Reviews relevant to school councils

Figure C1
Summary of reviews relevant to school councils

Date	Title	Source
2015	<i>Greater Returns on Investment in Education: Government Schools Funding Review—Final Report December 2015</i>	Victorian Government
2014	<i>Professional Practice and Performance for Improved Learning: School Governance</i>	Department of Education and Training
2013	<i>Assessing Goodness of Fit to Victoria of Approaches to School Governance in National and International Jurisdictions</i>	Commissioned by the Victorian Government
2013	<i>School Governance Review—Research with School Council Presidents and Principals</i>	Commissioned by the Department of Education and Training
2013	<i>Making the Grade: Autonomy and Accountability in Victorian Schools—Inquiry into School Devolution and Accountability</i>	Victorian Competition and Efficiency Commission
2005	<i>Report on the Review of School Governance in Victorian Government Schools</i>	Victorian Government

Source: VAGO.

Appendix D

Audit method

Our audit methods included:

- reviewing DET's and schools' plans and strategies and associated data and documents
- reviewing previous audits, reviews and inquiries
- carrying out data analytics on school council membership data and school financial data
- researching planning and management of schools in other jurisdictions
- interviewing DET officers, and other stakeholders including school principals and other relevant staff
- surveying presidents of school councils and their executive officers (principals), and holding focus groups
- examining the operations of a selection of six school councils.

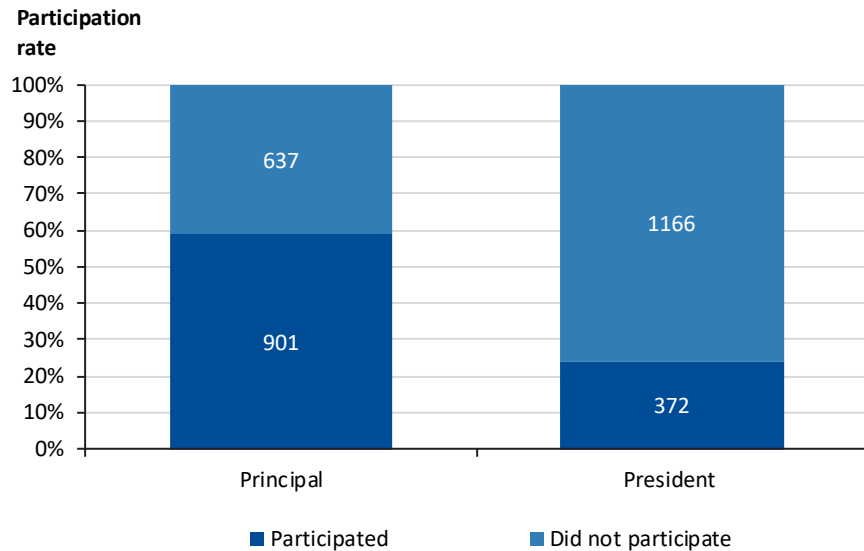
Survey

We conducted a survey of school principals and presidents in 2017 to gain the views of those involved in school governance. Sixty-five per cent of government schools (1 004) participated either through their principal or school council president.

As shown in Figure D1, the following number of principals and school council presidents participated:

- principals from 901 schools—59 per cent of principals
- presidents from 372 school councils—24 per cent of school councils.

Figure D1
Participation rates



Source: VAGO—School councils in government schools survey.

Principals outnumbered presidents by a ratio of 5:2. While there were more principals participating, the diversity of perspectives of presidents and principals was similar.

The participating schools also provided similar representation across the school characteristics of school type, location, region, size, and socio-economic indexes for areas. Within the respective response pools, profiles of principals and presidents were relatively balanced, suggesting that the views and beliefs of presidents and principals could be taken as broadly representative for all Victorian government schools.

The survey asked school principals and council presidents to report their views and experiences on school council in terms of:

- roles and responsibilities
- operations
- decision-making
- capability and training.

Forums

During October and November 2017, we held school council forums at the schools listed in Figure D2 below. The forums provided an opportunity for us to discuss school councillors' views on:

- the strengths and weaknesses of school council governance
- how effectively school councils are functioning
- experiences with financial and operational activities
- the support school councillors need and receive to fulfil their role.

We invited all school councils to attend the forums, through the eduMail accounts of their president and their principal. We also sent the invitation to general school administration emails requesting that the invitation be passed on to the school councils.

Figure D2
Location of school council forums

Location of school council forums	DET area	Date
Berwick Secondary College	Southern Melbourne	10 October 2017
Macedon Primary School	Loddon	16 October 2017
Williamstown Primary School	Western Melbourne	17 October 2017
Ringwood Secondary College	Outer East Melbourne	18 October 2017
Brunswick East Primary School	Hume Moreland	24 October 2017
John Fawkner College	Hume Moreland	1 November 2017
Eaglehawk Secondary College	Loddon	2 November 2017

Source: VAGO.

Auditor-General's reports tabled during 2018–19

Report title	Date tabled
Local Government Insurance Risks (2018–19:1)	July 2018
Managing the Municipal and Industrial Landfill Levy (2018–19:2)	July 2018

All reports are available for download in PDF and HTML format on our website
www.audit.vic.gov.au

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