



Director, Compliance and Reviews

Mr Sam Kronja
Chief Financial Officer
Studio Schools of Australia Ltd
Level 42, 120 Collins St
MELBOURNE VIC 3000

by email: sam.kronja@studioschools.edu.au
copy to: helen.drennen@studioschools.edu.au
geraldine.allen@studioschools.edu.au

Dear Mr Kronja

**Request for information under section 39A of the
*Australian Education Regulations 2023***

I am writing to you as the Contact Officer and the Approved Authority Representative for Studio Schools of Australia Ltd (Studio Schools, AGEID 88026), the Approved Authority under the *Australian Education Act 2013* (the Act) representing the Yiramalya Studio School.

The Department of Education (the Department) is responsible for administering the Act and the *Australian Education Regulations 2023* (the Regulations). The Act sets out the basic and ongoing requirements for Approved Authorities to meet as a condition to receive funding. These requirements include:

- Being a body corporate (section 75 (2) of the Act);
- Not operating for-profit (section 75 (3) of the Act);
- Financial viability (section 75(4) of the Act);
- Fit and proper person (people, governance, and financial management) (section 75 (5) of the Act); and
- Meeting ongoing policy requirements (section 77 of the Act).

The purpose of my letter is two-fold.

First, is to notify Studio Schools that it is currently non-compliant with section 38 of the Regulations in relation to Studio Schools' submission of the audited financial statements for 2022. This follows the Department's assessment of Studio Schools' 2022 audited financial statements provided to the Department on 20 June 2023.

Second, is to request information and records from Studio Schools under section 39A of the Regulations that will assist the Department in assessing Studio Schools'

compliance with the Act and the Regulations. This request for information has been also informed by a recent media article (*Education charity bosses' fat salaries revealed, The Weekend Australian, Saturday 21 October 2023*) that raises concerns about a number of issues at Studio Schools including the level of salaries paid to executives at Studio Schools, motor vehicle costs, and professional fees.

Assessment of the 2022 audited financial statements

The Department has assessed your 2022 audited financial Statement (the AFS), which you submitted to the Department pursuant to sections 36 and 38 of the Regulations. I note that this AFS is for the period 1 July 2021 to 31 December 2022.

Section 38 of the Regulations outlines the requirement for Approved Authorities to prepare financial statements in accordance with the Australian Accounting Standards that relate to any money received by an Approved Authority in a year; and have those statements audited in accordance with the Australian Auditing Standards and generally accepted auditing practices. The authority for the Regulations is the Act (section 3 of the Regulations). Section 6 of the Act defines the term year to be a calendar year (except when used to refer to a year in a course of primary education or secondary education). As such, the submission of the AFS by Studio Schools is not compliant with the requirements of the Regulations. The AFS needs to reflect the period 1 January 2022 to 31 December 2022.

The 2022 AFS review of Studio Schools by the Department has identified the following matters:

- a) AFS Note 12 shows that the value of Buildings and Improvements acquired through the purchase of Yiramalay School was provisionally valued by Studio Schools at \$6.06 million and carried in the Balance Sheet at 31 December 2022.
- b) This Buildings and Improvements are situated on land leased to Bunuba Dawangarri Aboriginal Corporation by the WA Minister for Lands. Studio Schools has a Sub-License from Bunuba Dawangarri Aboriginal Corporation to occupy the land for 12 months to 3 October 2022.
- c) Business consultancy cost of \$1.02 million for 18 months to 31 Dec 2022 and \$0.88 million for the prior 12 months.
- d) Travelling costs for 18 months to 31 Dec 2022 were \$0.49 million. This was 7.90% of total operating cost.
- e) Motor vehicle expense for 18 months to 31 Dec 2022 were \$0.42 million.
- f) Employee expenses for 18 months to 31 Dec 2022 were \$2.02 million. These were 32.52% of total operating cost.
- g) It is unclear from Note 7 if any Commonwealth recurrent funding under the Act was passed on to Studio Schools following the acquisition of Yiramalay School.

Requirement to provide information and records

Under section 39A of the Regulations, an Approved Authority for a non-government school must provide the Minister or an authorised person with any information or

records requested, in writing, by the Minister or authorised person that relate to the following:

- (a) the authority's compliance with the Act;
- (b) the financial administration of the authority;
- (c) the financial administration of the school.

Based on current delegations from the Minister for Education under the Regulations, I am authorised to request information under section 39A of the Regulations.

Please note that compliance with section 39A of the Regulations is an ongoing requirement on Studio Schools' approval to receive Commonwealth financial assistance, including recurrent funding under the Act (see paragraph 78(2)(b) of the Act).

Information and records to be provided to the Department

I require that you provide me with the following information and records that relate to Studio Schools.

Request for information in relation to fit and proper

1. Provide a list of key employees or organisation chart.
2. Provide a copy of the latest constitution of Studio Schools.
3. Provide financial and operational delegation of authority.
4. Provide policies regarding managing conflict of interest and related party transactions.
5. Provide a copy of your conflict-of-interest register.
6. Provide copy of your related party register, including information on loans and transactions.
7. Provide details of procurement and approval documents for services and goods purchased from related parties.
8. Provide details of procurement and employment approval documents for key personnel.
9. Provide details of remuneration of key personnel, including approval documents for salaries and any consideration of industry wide salaries.
10. Provide details about the nature of professional fees paid (for example, the type of services provided and the fees paid for these), including procurement and approval documents for these services.
11. Provide information on motor vehicle costs, including procurement and approval documents for these.
12. Please explain the relationship/partnership with Wesley College Melbourne Limited prior to and since the establishment of Studio Schools.
 - a. Please provide information on any cost sharing and service agreements.
 - b. Are there any common Board members, and how is any conflict of interest managed, including in Board meetings?
13. Please explain the relationships with the following not-for-profit organisations, and provide any supporting documentation:

- a. Yiramalay/Wesley Studio School Foundation Ltd
 - b. Yiramalay/Wesley Studio School Building Fund
 - c. Yiramalay/Wesley Studio School Scholarship Fund
 - d. Bunuba Dawangarri Aboriginal Corporation
14. I note that student attendance in 2022, as reported on the *MySchool* website, was relatively low.
- a. Please provide copies of any strategies, policies and procedures to address the low student attendance rates and to increase student attendance rates over time.
 - b. Are there annual reviews of processes and policies to consider what works and what does not in terms of attracting students to class?
 - c. Does attendance vary over the school year, for example, from one school term to another, and if so, why?
 - d. What has been the attendance rate so far in 2023? Please provide any relevant information or records.

Request for information in relation to the AFS assessment

15. If it is possible from the existing set of financial accounts to prepare and submit audited financial statements for 2022 calendar year (1 January 2022 to 31 December 2022), then please provide these. If this is not possible, and the non-compliance in relation to the AFS cannot be rectified by Studio Schools, then please provide a full set of accounts for the 12-month period ending 31 December 2022. This will enable the Department to assess your financial position for the 12-month period to 31 December 2022.
16. Provide evidence of an independent valuation for the assets transferred as part of the purchase for Yiramalay School. These assets include those referenced in note 12 of the audited financial statements (acquisitions through the business).
17. Provide evidence that the sub-lease has been renewed or extended with the BDAC, including copy of the lease agreement. Evidence of the market value of the lease terms also needs to be provided.
18. In Studio Schools' acquittal certificate for 2022 submitted to the Department, it was certified that \$1,388,694.00 was spent or committed to be spent by Studio Schools.
- a. Was all acquitted funding spent in 2022, or is/was there a contractual agreement (or agreements) with a goods or services provider to spend any money in 2023?
 - b. In note 7a of the 2022 audited financial statement, it shows grant revenue from the Department of Education was \$694,347. How does this figure reconcile with the acquitted figure of \$1,388,694.00?

Please provide the information and records requested above by email to schoolsassurancecases@education.gov.au by **5 PM AEST on 17 November 2023**.

If you have any questions regarding this letter, please contact me on [REDACTED]

Yours sincerely

[REDACTED]

[REDACTED]

25 October 2023