



Thank you for your email of 10 January 2017 requesting the following information:

I am requesting a breakdown of fraud investigations relating to Early Childhood Centres and schools over the past three years.

This includes, but is not limited to the misuse of government subsidies, expense claim fraud, theft of inventory, false invoicing and payroll fraud.

I am requesting details about the allegations, who was involved in the investigation - including whether police were involved - as well as detail around any sanctions or penalties resulting from the investigations. If a person accused of fraud resigned, I would also like that information to be specified.

Your request has been considered under the Official Information Act 1982 (the Act).

We have interpreted your request as being for details of fraud investigations completed in the past three years which were undertaken by the Ministry and referred to an appropriate enforcement agency.

Schools are self governing through boards of trustees, and boards can undertake their own investigations into suspected fraud. While it would be unusual not to, they do not have to inform the Ministry. While we are aware of some investigations undertaken by boards, we would not be able to provide you with a complete response in relation to this type of investigation and therefore these are not included.

Seven fraud investigations were identified within the scope of your request. Three of these related to schools, and four to Early Childhood Education services. The table attached as **Appendix A** provides details, including the type of fraud and the outcome of the investigation.

Schools can protect themselves from fraud by ensuring that their internal business processes are robust. We have a monitoring and advisory role. Each school's audited financial statements are reviewed, and we may ask for explanations if there is poor liquidity or financial performance, or net assets have reduced.

We treat reports of financial mismanagement very seriously. Where fraud is found to have occurred, we can provide support, including from regional financial advisors

who are experienced in schools' financial matters. If necessary, we pay for expert advice.

All early childhood services operate independently of government but their funding claims are regularly audited and they must submit audited financial accounts annually. When financial irregularities are reported to us, we work with relevant authorities to investigate.

Thank you again for your email. You have the right to ask an Ombudsman to review this response. You can do this by writing to info@ombudsman.parliament.nz or Office of the Ombudsman, PO Box 10152, Wellington 6143.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Katrina', with a long, sweeping flourish extending downwards and to the right.

Katrina Casey
Deputy Secretary
Sector Enablement and Support

Encl.

COMPLETED FRAUD INVESTIGATIONS UNDERTAKEN BY THE MINISTRY AND REFERRED TO AN APPROPRIATE ENFORCEMENT AGENCY IN THE LAST THREE YEARS

School or Early Childhood Centre	Region	Year investigation begun	Year investigation completed	Type of fraud	Outcome of investigation	Other agencies involved
Parkvale School	Hawke's Bay	2015	2016	Theft	School administrator, Tania McCartney, admitted stealing over \$174,000 from 2009 onwards. In 2016, she was sentenced to 27 months imprisonment.	Auditor, Price Waterhouse Coopers, Auditor General, Police, Courts
Upper Hutt College	Wellington	2015	2016	Theft	Former Executive officer, Donald Hancox, pleaded guilty to 10 charges of obtaining by deception. In 2016, Mr Hancox was sentenced to two years and three months imprisonment for stealing \$375,000 from the college.	Deloitte, Police, Serious Fraud Office
Ngā Rito Home-Based Childcare	Gisborne	2014	2016	Other	Two home-based educators and a co-ordinator submitted false timesheets relating to childcare that was not taking place, to a value of \$62,000. In 2015, Wayne McClutchie was sentenced to 18 months jail, Marcus Munro to 180 Hours community service, and Renee Williams to 120 Hours community service.	Police, Courts
Noah's Ark Centres	Tai Tokerau	2013	2015	False funding claim	Owner, Harriet Stevenson, filed false funding claims with the Ministry. The value of this fraud was \$500,000. In 2015, she was extradited back to New Zealand after she was arrested in Australia. She was sentenced to 9 months home detention and 150 hours of community service.	Police, Courts

The Lion's Den	Wellington	2010	2015	False funding claim	Owner, Rosemary Machin, admitted filing a false funding claim to the Ministry, to a value of \$65,000. In 2011, she was sentenced to 9 months home detention and 200 hours community service. From 2012 to 2015 the Crown Solicitor applied under the Proceeds of Crime laws for Machin to forfeit her house to pay her debt to the Ministry. The debt was subsequently paid.	Police, Courts
Trixie's Learning Centres	Waikato	2012	2014	False funding claim	Owner, Trixie Leigh, filed false funding claims with the Ministry. The value of the fraud was \$327,000. In 2014, she was found guilty and sentenced to 3 years imprisonment, as well as a token order of \$5000 reparation.	Police, Courts
Mayfield School	Auckland	2010	2014	False invoicing	Principal, Colleen Gray, submitted false invoices to the school to get monies paid to her. This included false invoicing of management units. In 2014, she was sentenced to 12 months home detention and 150 hours community service. Her husband, Bruce Gray, was sentenced to 10 months home detention.	Teachers Council, Police, Courts