

## Ministry of Education Internal Aide Memoire: Te Kōhanga Reo National Trust

13 October 2013

### Purpose

- This aide memoire provides background information and comment on concerns about financial administration at Te Kōhanga Reo National Trust.

### Background

- The Trust is an incorporated society that provides support services and represents ngā kōhanga reo.
- Trust board members are selected by the board itself and service for life.
- The Trust administers close to \$90m per annum of public funding from Vote Education and Vote Tertiary Education (see next page).
- The Trust wholly owns a subsidiary company, Te Pataka Ohanga, to manage growth of ngā kōhanga reo by organizing loans for capital development, broker health insurance and services, discounted IT resources etc.
- Te Pataka Ohanga is not directly funded by the Crown and the Ministry receives no information on this company's activities or expenditure.

### Comment

#### *Financial Issues*

- Some kōhanga whānau have called for a review of the Trust's governance arrangements and an audit of its financial management.
- Native Affairs has obtained Trust financial records, including credit card expenditure and plans to report on that on its 14 October programme.
- The Trust successfully sought an injunction on publication of that information because it had been provided without their consent, and also had personal information about kōhanga whānau.
- The Trust has since not sought to continue the injunction.
- The Trust has indicated the financial information covers things like koha provided at tangi, and purchase of items used by board members in their role.
- The Ministry has not seen these financial records and its reporting requirements do not cover this level of expenditure.

### *Audit of Tertiary Funding*

- A Trust commissioned audit found Vote Tertiary funding provided for approved courses had been used for courses that had not been approved, against the directions of the Board.
- The Trust returned the misused funding and corrected the information reported to the Tertiary Education Commission.
- The Trust Chief Executive and other staff were dismissed, we believe over these issues, and we understand that personal grievances may have been filed by affected Trust staff.
- The Trust has published this audit report.

### *Accounting for Vote Education Funding*

- Contracts for services between the Ministry of Education and the Trust require milestone reporting to check services have been delivered. The Ministry has no current concerns arising from this reporting.
- Claims for funding subsidies paid through the Trust to kōhanga reo are audited by the Ministry of Education. The Ministry finds few if any errors in funding claims.
- The Board has also commissioned an audit of Trust administration of Vote Education funding, and reports not significant concerns.
- We expect to receive an interim copy of this audit report the week of 14 October.
- These reporting arrangements are similar to those for other ECE services.

s 9(2)(ba)(i) OIA

### *Implications for Response to WAI 2336 Tribunal Findings*

s 9(2)(f)(iv) OIA

### *Audit of Tertiary Funding*

- A Trust commissioned audit found Vote Tertiary funding provided for approved courses had been used for courses that had not been approved, against the directions of the Board.
- The Trust returned the misused funding and corrected the information reported to the Tertiary Education Commission.
- The Trust Chief Executive and other staff were dismissed, we believe over these issues, and we understand that personal grievances may have been filed by affected Trust staff.
- The Trust has published this audit report.

### *Accounting for Vote Education Funding*

- Contracts for services between the Ministry of Education and the Trust require milestone reporting to check services have been delivered. The Ministry has no current concerns arising from this reporting.
- Claims for funding subsidies paid through the Trust to kōhanga reo are audited by the Ministry of Education. The Ministry finds few if any errors in funding claims.
- The Board has also commissioned an audit of Trust administration of Vote Education funding, and reports not significant concerns.
- We expect to receive an interim copy of this audit report the week of 14 October.

These reporting arrangements are similar to those for other ECE services.

s 9(2)(ba)(ii) OIA

### *Implications for Response to WAI 2336 Tribunal Findings*

s 9(2)(f)(iv) OIA



s 9(2)(f)(iv) OIA

*Next Steps*

- We need to review the second Board commissioned audit report to determine whether or not we need further assurance.
- We have no mandate to inquire into the operation of the Trust's private company.
- But we could seek a programme of independent audit, remedial actions by the Trust, and reporting on the effectiveness of those actions.
- Such a programme could be focused on both current activities, and as a precursor to any new operating framework for kōhanga reo.
- As discussed, a review of governance arrangements is also an option before proceeding to any new operating framework.

**Public Funding Administered by Te Kōhanga Reo National Trust**

*Vote: Education*

- a. \$79.7m early childhood education subsidy funding
- b. \$0.71m in Ministry of Education professional development and other contracts
- c. \$2.5m in Targeted Assistance for Participation funding
- d. \$2.56m by Memorandum of Agreement for Trust services to kōhanga reo.

*Vote: Tertiary Education*

- e. \$5.9m for Tertiary programmes (2010).

## **Te Kōhanga Reo National Trust Accountability**

14 October 2013

### **Importance of Māori Participation in ECE**

- Early childhood education (ECE) can give children a strong start in their learning.
- The 2009 PISA study of 15 year old's literacy in New Zealand found that attending a year or more of ECE resulted in higher achievement, equivalent to an extra year of schooling.
- That is why we have a Better Public Service goal that in 2016, 98% of children starting school have attended ECE.
- We are making strong progress growing the Māori participation rate, but at 92.3% for the year to June 2013, we still have some way to go.
- In 2012 about 8,902 Māori attended kōhanga reo, which is 21% of all Māori enrolments in ECE.
- Kōhanga reo have a critical role to play in giving all children a strong start in their learning.

### **Accountability for ECE Funding**

- The Government expects to spend about \$1.5 billion subsidising ECE in 2013/14.
- Government is accountable for this funding delivering a high standard of education and care.
- All ECE services and kōhanga reo have their funding claims audited by the Ministry of Education.
- Approximately \$90m a year goes to kōhanga reo each year to deliver early learning in te reo Māori to almost 9,000 children, provide professional development, to raise participation, and to provide tertiary courses.
- Kōhanga reo must meet the same standards for health and safety as other ECE services.
- Kōhanga reo are also reviewed by the Education Review Office.
- The first kōhanga reo was established in 1982, and was followed by establishment of the Trust in 1984.

- The Trust delivers three tertiary qualifications, funded through the Tertiary Education Commission at about \$6m per year. The Trust also delivers four courses recognised by the New Zealand Qualifications Authority, but which are not funded through the Tertiary Education Commission.
- Funding rates for kōhanga reo and other ECE services are attached.
- The Ministry of Education does not routinely audit the bodies that own or govern ECE services.

#### ***Property Putea***

- The Government contributed funding in 1990 to a Trust run property putea, which was used to loan kōhanga reo money for building repairs and establishment.
- In 2000, following a complaint from a kōhanga reo whānau, the matter was referred to a joint Trust Crown working party chaired by Sir Rodney Gallun, which recommended that the practice of using public grants for loans cease.
- Since 2000 grants to kōhanga reo cannot be provided as a loan.

#### ***Response to Waitangi Tribunal Report on Kōhanga Reo***

- The Waitangi Tribunal recommended that an independent advisor be appointed to assist the Trust and the Crown to review how funding and regulation applies to kōhanga reo.
- In response to the Waitangi Tribunal report on kōhanga reo, I appointed Sir Michael Cullen to work with the Trust and officials to advise me on raising educational achievement and transmission of te reo Māori through kōhanga reo.
- I will be meeting with the Board of the Trust to review progress on that work.

#### ***Response to Concerns about Te Kōhanga Reo National Trust***

- The Trust plays an important role supporting the operation of kōhanga reo.
- Nevertheless, the Ministry of Education has requested from the Trust Board copies of audit reports that the Board has commissioned on Trust financial operations.

- I have also asked the Ministry to write to the Trust Board seeking an independent audit of how public funding is administered.

- [OAG to provide some wording].
- I want a strong assurance on the use of public funding that goes to the Trust, so that we can focus on strengthening children's early learning and the transmission of te reo Māori through kōhanga reo.



### **Additional Information**

- The Trust is an incorporated society and administers public funding on behalf of kōhanga reo.
- The Trust distributes this funding to kōhanga reo only once the service has been delivered. Most other ECE services receive an advance of up to 75% of the hours they expect to deliver.
- Te Pataka Ohanga is a wholly owned subsidiary of the Trust, but is not directly funded by the Ministry of Education [still checking this].
- Public funding administered by the Trust includes:

#### ***Vote: Education***

- a. \$79.7m early childhood education subsidy funding
- b. \$0.71m in Ministry of Education professional development and other contracts
- c. \$2.5m in Targeted Assistance for Participation funding
- d. \$2.56m by Memorandum of Agreement for Trust services to kōhanga reo.

#### ***Vote: Tertiary Education***

- e. \$6.0m for Tertiary programmes (2013).

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

Effective Dates	From 1 June 2013 to 30 June 2013			From 1 July 2013		
<i>All funding rates are GST inclusive</i>	Under 2	Over 2	20 Hours ECE	Under 2	Over 2	20 Hours ECE
<b>Teacher-led home-based services</b>						
Standard	\$7.20	\$3.90	\$8.66	\$7.24	\$3.92	\$8.71
Quality	\$8.22	\$4.40	\$9.17	\$8.26	\$4.42	\$9.22
<b>All day teacher-led services</b>						
80% + Registered ECE Teachers	\$11.93	\$6.60	\$11.28	\$12.01	\$6.64	\$11.33
50-79% Registered ECE Teachers	\$10.80	\$5.69	\$10.25	\$10.87	\$5.73	\$10.32
25-49% Registered ECE Teachers	\$8.72	\$4.54	\$9.01	\$8.78	\$4.57	\$9.07
0-24% Registered ECE Teachers	\$7.45	\$3.77	\$8.22	\$7.50	\$3.80	\$8.27
<b>All day Kindergartens</b>						
80% + Registered ECE Teachers	\$12.17	\$6.78	\$11.48	\$12.25	\$6.83	\$11.56
50-79% Registered ECE Teachers	\$11.00	\$5.83	\$10.45	\$11.09	\$5.87	\$10.52
25-49% Registered ECE Teachers	\$8.85	\$4.63	\$9.14	\$8.91	\$4.66	\$9.20
0-24% Registered ECE Teachers	\$7.52	\$3.82	\$8.30	\$7.57	\$3.85	\$8.36
<b>Sessional teacher-led centre-based services excluding Kindergartens</b>						
80% + Registered ECE Teachers	\$10.61	\$4.81	\$6.20	\$10.68	\$4.84	\$6.24
50-79% Registered ECE Teachers	\$9.65	\$4.30	\$5.63	\$9.71	\$4.33	\$5.67
25-49% Registered ECE Teachers	\$7.86	\$3.70	\$4.98	\$7.91	\$3.72	\$5.01
0-24% Registered ECE Teachers	\$6.84	\$3.33	\$4.60	\$6.89	\$3.35	\$4.63
<b>Sessional Kindergartens</b>						
100% Registered ECE Teachers	\$12.90	\$6.47	\$7.75	\$12.99	\$6.51	\$7.80
<b>Playcentre</b>						
Standard	\$7.62	\$3.83	\$4.88	\$7.67	\$3.86	\$4.91
Quality	\$8.70	\$4.37	\$5.43	\$8.76	\$4.40	\$5.47
<b>Licensed Kōhanga Reo - (except those recognised as teacher-led for funding purposes)</b>						
Standard	\$7.62	\$3.83	\$7.70	\$7.67	\$3.86	\$7.75
Quality	\$8.70	\$4.37	\$8.17	\$8.76	\$4.40	\$8.22



## Aide Memoire: External Audit of Te Kōhanga Reo National Trust

### Use of Credit Cards

- Reported personal use of credit cards is linked to Te Pataka Ohanga, a subsidiary company owned by Te Kōhanga Reo National Trust.
- Te Pataka Ohanga is not directly funded by the Ministry of Education.
- Where the Ministry has contracted the Trust to provide services to kōhanga reo, those cannot be subcontracted to another organisation.
- Where a grant to the Trust is provided to expand or establish a new kōhanga reo, then project management and construction can be contracted out.
- Te Pataka Ohanga is a private organisation that has no reporting obligations to the Ministry of Education.

### Public Funding for the Trust and kōhanga reo

- The Trust is funded to, and reports to the Ministry on (2012/13):
  - subsidise the running costs of kōhanga reo (\$81m)
  - provide administrative support to kōhanga reo through a master agreement (\$2.6m)
  - provide professional development to kōhanga reo (\$0.7m)
  - undertake building projects to raise participation in kōhanga reo (\$1.9m).

### Accountability


- Kōhanga reo meet the same reporting requirements as other ECE services.
- Kōhanga reo funding claims are audited by the Ministry of Education.
- The Trust is subject to the same Ministry of Education contractual reporting requirements as other organisations.
- By choice, kōhanga reo are funded after services have been delivered, rather than being advanced funding like other ECE services.
- The Education Review Office reviews kōhanga reo.
- As for other ECE services, the Ministry can reclaim public funding where a provider claims for more hours than they have delivered.

- The Ministry has found no material issues in the Trust's reporting on the delivery of services to kōhanga reo.

### Importance of kōhanga reo

- Almost 9,000 children attend 465 kōhanga reo (2012).
- 21% of Māori children attending ECE go to a kōhanga reo.
- Kōhanga reo are critically important to ensuring every child get a strong start in their learning in te reo Māori.
- Kōhanga reo can also contribute to the Better Public Service goal that in 2016, 98% of children starting school have attended ECE.

### Te Kōhanga Reo Treaty Claim

- In response to the Waitangi Tribunal report on kōhanga reo, Sir Michael Cullen to work with the Trust and officials to advise on raising educational achievement and transmission of te reo Māori through kōhanga reo.
- Ministers are scheduled to meet with the Board on that work on 24 October.
- 

### Next Steps

s 9(2)(f)(iv) OIA

- While the activities of Te Pataka Ohanga are not subject to Ministry of Education scrutiny, the risk that it involve public funding means we need a greater level of assurance.
- A greater level of assurance must be seen to be independent, and is best sought through a specialist audit firm.
- The terms of reference for an audit should be set by the Ministry of Education as the primary funder, taking account of audits already underway by the Trust Board.
- The focus of the audit should be on:
  - Ensuring the Board has adequate financial controls in place, and a plan to address any shortcomings
  - Assuring the Ministry that public funding is not being inappropriately used by Te Pataka Ohanga.
- If the Board does not agree to a Ministry commissioned independent audit, then the matter could be referred to Office of the Auditor General.



4

Emails between Minister's office and the Trust

[REDACTED] s 9(2)(a) and 9(2)(f)(iii) OIA

From: [REDACTED]  
Sent: Tuesday, 15 October 2013 1:54 p.m. s 9(2)(a) OIA  
To: [REDACTED]  
Subject: RE: Update on Minister's response to Cullen Report WAI 2336

Thanks very much – appreciate your response [REDACTED] s 9(2)(a) OIA

Regards,  
[REDACTED] s 9(2)(a) and 9(2)(f)(iii) OIA

From: [REDACTED] s 9(2)(a) OIA  
Sent: Tuesday, 15 October 2013 1:22 p.m.  
To: [REDACTED] s 9(2)(a) and 9(2)(f)(iii) OIA  
Subject: RE: Update on Minister's response to Cullen Report WAI 2336

Kia ora [REDACTED] s 9(2)(a) and 9(2)(f)(iii) OIA

Apologies for the late response. At the moment those attending are [REDACTED] and possibly [REDACTED]  
(awaiting confirmation)

Hope this helps

[REDACTED] s 9(2)(a) OIA  
[REDACTED] s 9(2)(a) and 9(2)(f)(iii) OIA

From: [REDACTED] mailto:[REDACTED]  
Sent: Tuesday, 15 October 2013 12:58 p.m.  
To: [REDACTED]  
Subject: RE: Update on Minister's response to Cullen Report WAI 2336

[REDACTED] s 9(2)(a) OIA

Hi [REDACTED]

Can you please advise who will be attending the meeting from the Trust?

Thanks,

[REDACTED] s 9(2)(a) and 9(2)(f)(iii) OIA

From: [REDACTED]  
Sent: Tuesday, 15 October 2013 11:02 a.m.  
To: [REDACTED]  
Cc: [REDACTED]  
Subject: RE: Update on Minister's response to Cullen Report WAI 2336  
Importance: High

[REDACTED] s 9(2)(a) OIA  
Hi [REDACTED]

Please see my email below. I'm not sure if [REDACTED] is in today or not.



The first option is for the board to meet with Ministers tonight from 6.30pm.

Would this work for the board?

Regards,

[redacted] s 9(2)(a) and 9(2)(f)(iii) OIA

From:

Sent: Tuesday, 15 October 2013 8:59 a.m.

To:

Subject: RE: Update on Minister's response to Cullen Report WAI 2336

Importance: High

Hi

[redacted] s 9(2)(a) OIA

Ministers Parata and Sharples would be grateful if Te Kohanga Reo National Trust Board could meet them as soon as possible following the matter on Native Affairs last night concerning Te Patanga Ohanga.

I will give you a call as soon to discuss meeting times that work.

Regards,

[redacted] s 9(2)(a) and 9(2)(f)(iii) OIA

Office of Hon Hekia Parata | Minister of Education | Parliament Buildings | WELLINGTON

Phone: [redacted] | Mobile: [redacted]

[redacted] s 9(2)(a) OIA

This message contains official information which is intended for the use of the addressee only. If you are not the intended recipient, please notify the sender immediately. You should not further disseminate or copy this message in any way.

From:

Sent: Monday, 14 October 2013 10:09 a.m.

To:

Subject: Update on Minister's response to Cullen Report WAI 2336

Tehakōe

[redacted] s 9(2)(a) and 9(2)(f)(iii) OIA

[redacted] s 9(2)(a) OIA

I understand that Mr Short is out of the country till mid next week and have been asked to send you this request on behalf of the [redacted] Te Kohanga Reo National Trust Board in regard to a meeting that was mooted by the Minister and the Board are wondering where this is currently at.

[redacted] s 9(2)(a) OIA

When [redacted] last spoke with Mr Short he advised [redacted] that the Minister had considered the report and wanted to meet with the TRNT Board. We are yet to receive a formal invite to meet with the Minister and wish to reiterate our continued concern regarding the urgency needed to address the findings of the Waitangi Tribunal Report WAI 2336

We look forward to your reply

pp: [redacted] Te Kohanga Reo National Trust Board

[redacted] s 9(2)(a) OIA

Naku iti noa

[redacted] Te Kohanga Reo National Trust Board  
67 Hankey St, Mt Cook, Wellington 6011

[redacted] s 9(2)(a) OIA

Imeera:

Nama waea:

*Disclaimer: This email is confidential. If it is not intended for you please do not read, distribute or copy it or any attachments. Please notify the sender by return email and delete the original email and any attachments. Any views expressed in this email may be those of the individual sender and may not necessarily reflect the views of the Te Kōhanga Reo National Trust Board*

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

Emails between Minister's office and the Trust

5

s 9(2)(a) and 9(2)(f)(iii) OIA

From: [REDACTED]  
Sent: Tuesday, 15 October 2013 8:01 p.m.  
To: [REDACTED] s 9(2)(a) OIA  
Subject: FW: level6.4\_copier  
Attachments: Slevel6.4-c13101518560.pdf

Draft ToR for circulating to the Trust Board – as discussed

From: level6.4\_copier@parliament.govt.nz [mailto:level6.4\_copier@parliament.govt.nz]  
Sent: Tuesday, 15 October 2013 7:56 p.m.  
To: [REDACTED] s 9(2)(a) and 9(2)(f)(iii) OIA  
Subject: level6.4\_copier

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT



SA

## **Draft Terms of Reference:**

### **Independent Audit of Financial Controls in Te Kōhanga Reo National Trust and Subsidiary Te Pataka Ohanga.**

15 October, 2013

#### **Objectives**

The objectives of the audit are to:

1. describe and assess the financial control environment
2. to identify instances where there are gaps in financial controls
3. determine the extent to which the key financial controls are operating as intended
4. to make recommendations on any improvements in financial controls that are required to provide a high level of assurance to the Board and the Crown
5. report back on the implementation of any remedial actions the Board takes to address the findings of this audit
6. Establish what if any public funding has been provided to Te Pataka Ohanga since it was established.

#### **Scope**

The audit will cover the financial management of all public funding by the Board of Te Kōhanga Reo National Trust and its subsidiary Te Pataka Ohanga.

It will also cover any publicly funded activities sub-contracted or delegated by the Trust to Te Pataka Ohanga.

The audit will not consider any specific funding claims made by individual kōhanga reo, but will cover the controls in place to give the Trust assurance over funding claims by kōhanga reo.

The audit will cover controls in place over funding provided through both the Ministry of Education and the Tertiary Education Commission.

**This document was tabled at  
a meeting on 15/10/2013**



MINISTRY OF EDUCATION  
Te Tihitanga o te Mātauranga

## Education Report Crown funding to Te Kōhanga Reo National Trust and Accountability

Date:	15 October 2013	Priority:	High
Security Level:	In Confidence	METIS No:	817167

### Action Sought

Addressee	Action Sought	Deadline
Minister of Education	Note the contents of this report	15 October 2013
Enclosure: Yes / No (select as appropriate)		Round robin: Yes / No (select as appropriate)

### Contact for telephone discussion (if required)

Name	Position	Telephone	1 <sup>st</sup> Contact
Karl Le Quesne	Manager	4638090	Yes

The following departments/agencies have seen this report:

Minister to Complete (please circle): 1 = very poor 2 = poor 3 = acceptable  
4 = good 5 = very good

Minister's Office to Complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☒ Seen

☐ Overtaken by events

☐ See minister's notes

☐ Withdrawn

☐ Signed

Comments:

15 October 2013

METIS 817167

## **Education Report Crown funding to Te Kōhanga Reo National Trust and Accountability**

### **Executive summary**

#### **1. Key points to note:**

- i. Native Affairs released a story on credit card expenditure of senior members involved in Te Pataka Ohanga Limited (TPO), a New Zealand registered company, and wholly owned subsidiary of Te Kōhanga Reo National Trust.
- ii. TPO is solely responsible for managing the economic activities of Te Kōhanga Reo National Trust.
- iii. The Trust received a total of \$92,733,337.37 funding in 2012/13. Of this, \$5,697,630 was awarded through the Targeted Assistance for Participation programme in 2011/12.
- iv. The Trust is required to provide regular accountability reporting to the Ministry on all funding. To date there have been no significant issues.

### **Recommendations**

#### **We recommend that you**

- a. note the content of this report.

AGREE / DISAGREE

Karl Le Quesne  
Group Manager  
Early Childhood Education

NOTED / APPROVED

Hon Hekia Parata  
Minister of Education



## Education Report: Crown funding to Te Kōhanga Reo National Trust and Accountability

### Purpose of report

1. The report outlines the provision of Crown funding and accountability requirements for Te Kōhanga Reo National Trust (the Trust).

### Background

2. Native Affairs released a story on credit card expenditure of senior members involved in Te Pataka Ohanga Limited (TPO), a New Zealand registered company, and wholly owned subsidiary of Te Kōhanga Reo National Trust.
3. TPO is solely responsible for managing the economic activities of Te Kōhanga Reo National Trust.
4. The Crown funding relationship is with the Trust not TPO or individual kōhanga reo. The Trust is responsible for the dissemination of funding provided to kōhanga reo.
5. The licensing relationship is the exception to this relationship management approach, which occurs directly between individual kōhanga and the Crown.

### Funding provision

6. The Trust received a total of \$92,733,637.31 funding in 2012/13. Of this, \$5,697,630 was awarded through the Targeted Assistance for Participation programme in 2011/12.

#### a. Operational subsidies for kōhanga reo

The Crown provides operational funding to the Trust in support of kōhanga reo. In 2012/13 the Trust received \$81,861,030.31 in operational funding.

Funding type	2012/13
Early Childhood Payment	\$81,845,217.81
Incredible Years Teach Programme (Special Education)	\$15,812.50

#### b. Targeted Assistance for Participation (TAP)

The Crown has awarded 24 grants totalling \$7,637,307 to retain or create new child places that will increase participation rates in kōhanga reo.

Funding type	2011/12	2012/13
Full funding	\$ 3,527,821	-
Partial funding	\$ 1,563,514	\$ 1,939,677
Low cost high value funding	\$ 606,295	-
Total TAP funding awarded	\$ 5,697,630	\$ 1,939,677

**c. Professional Development and Whakapiki i te reo**

The Crown has awarded \$675,000 in funding to support professional development and the strengthening of te reo Māori in kōhanga reo.

<b>Funding type</b>	<b>2012/13</b>
Professional Development funding	\$250,000
Whakapiki i te reo Māori funding	\$425,000

**d. Master Agreement**

The Master Agreement provides \$2.56 million to the Trust for advice and support to establishing and established kōhanga reo, funding of kōhanga reo and administration of the property funding in respect of kōhanga reo.

**Accountability**

7. The Trust is required to provide regular accountability reporting to the Ministry. The reporting is specific to the measures set within each contractual agreement.

**a. Operational subsidies for kōhanga reo**

The Trust provides the appropriate funding forms six times per year. The Trust reports quarterly through the Master Agreement on the transfer of all funds to kōhanga reo. Funds must be transferred within seven days.

There have been no issues related to the submission of, or monitoring of transfers for these payments.

**b. Targeted Assistance for Participation**

The Trust provides monthly reports against each project via spreadsheet. The spreadsheet details each project's status and any engagements between the Crown and the Trust on next steps of each project. Upon completion of each project, invoices and documentation are submitted.

There are no significant issues with any projects underway, other than the resignation of the Trust contact responsible for monitoring and reporting on the projects. The process is undergoing business improvements to strengthen accountability.

**c. Professional Development and Whakapiki i te reo**

Up until June 2013, the Trust was required to provide written quarterly milestone reports on a six-monthly basis. In alternate quarters, the Trust would meet with the face to face to discuss progress against measures set.

These contracts ceased from July 2013 and are scheduled to be delivered through the Strengthen Early Learning Opportunities programme.

No issues are reported in relation to the delivery and monitoring of expected outcomes through these contracts for services.

**d. Master Agreement**

The Trust is required to provide quarterly written milestone reports and an annual report for each calendar year to the Ministry. These reports assess the Trust's performance against all measures set out within the Master Agreement.

The three key areas measured in the Master Agreement for services in support of kōhanga reo are:

- Advice and support to establishing and established kōhanga reo
  - Funding of kōhanga reo
  - Administration of the property funding in respect of kōhanga reo.
8. The Master Agreement preamble states that the agreement relates only to the early childhood function of kōhanga reo and also includes a clause stating that the Trust shall not sub-contract the whole or part of its obligations.
  9. Although reporting is often provided late, the Trust has met or exceeded expectations for all but one measure under the advice and support section, as set within the Master Agreement for 2012/13.
  10. The measure concerning a requirement for "existing kōhanga reo operating to 80% plus capacity" remains consistent at 67-71%.

#### Audit of kōhanga reo

11. There is no audit information for 2011 and 2012 due to the Waitangi Tribunal claim that prevented any business as usual activity during the hearing and in the lead up to the release of the official report.
12. This hold on activity between the Crown and the Trust also impacted on any business improvements, including a review of the measures set in the Master Agreement.
13. The last six audits were in April 2010. The results from the six audits were:
  - a. 2 Services were correctly stated
  - b. 3 Services were understated by less than \$2,000
  - c. 1 Service was overstated by less than \$3,000.
14. These results are all within the acceptable audit standard.
15. Kōhanga Reo have not been audited since April 2010 due to a Treaty of Waitangi claim lodged against the Crown. Planning is in progress for 2013 audits.

#### Risks and Highlights

16. The measure concerning a requirement for "existing kōhanga reo operating to 80% plus capacity" remains consistent at 67-71%. The measures, set in 2008, were to undergo a review of their fit for purpose and ability in reporting meaningful information. Since the lodging of the Waitangi Tribunal claim however, this activity was put on hold.
17. Business as usual activity has continued between the Trust and the Crown. It is expected that all kōhanga will be re-licensed on the 2008 regulations on time.
18. The Targeted Assistance for Participation programme also continues to provide funding to kōhanga that is resulting in higher than normal value for money solutions for retaining and creating new child places in areas of high priority.

#### Other relevant information

19. Two official information act requests and one rapid response were received from Mēterea Turēi, Radio New Zealand and Native Affairs, querying the operations, auditing and funding of both Te Kōhanga Reo National Trust Board and its subsidiary company Te Pātaka Ohanga Ltd [METIS 812590 and 809342 refers].



20. The Trust Board has 100% shareholding TPO. The constitution states that no private pecuniary profit of any individual should occur.
21. TPO is a New Zealand registered company registered to the same address at the Trust. The directors of TPO are:
- Druis Barrett
  - Whārehua Milroy
  - Dame Iritana Tawhiwhirangi.

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

s 9(2)(a) and 9(2)(f)(iii) OIA

**From:** James Jong [James.Jong@minedu.govt.nz]  
**Sent:** Wednesday, 16 October 2013 8:32 a.m.  
**To:** Karl Le Quesne  
**Cc:** [REDACTED] Rawiri Brell; Paula Rawiri  
**Subject:** RE: ToR TKRNT Audit

s 9(2)(a) and 9(2)(f)(iii) OIA

Karl

I've spoken with our EY audit partner, Stuart Mutch, and he's not immediately aware of any engagement with TKRNT. He's conducting a firm-wide search to check with other audit partners across the country. I'm happy to work with EY to scope and commission the audit.

Regards,  
James

James Jong | Chief Internal Auditor  
Ministry of Education | P O Box 1666 Wellington, New Zealand  
DDI: +64 4 463-8731 | Mobile: +64 21 718 588  
Email: [james.jong@minedu.govt.nz](mailto:james.jong@minedu.govt.nz) | Website: [www.minedu.govt.nz](http://www.minedu.govt.nz)

**From:** Karl Le Quesne  
**Sent:** Wednesday, 16 October 2013 8:28 a.m.  
**To:** Paula Rawiri; James Jong  
**Cc:** [REDACTED] Rawiri Brell  
**Subject:** ToR TKRNT Audit  
**Importance:** High

s 9(2)(a) and 9(2)(f)(iii) OIA

We tabled these with the Trust last night. They were broadly comfortable but want to work with us and Ernst Young to finalise.

I may have to take a couple of days off, but will confirm in a few hours. If I do, would you be able to work with James and [REDACTED] Paula?

s 9(2)(a) OIA

Minister is expecting we get these agreed today and the auditor engaged in the work today.

The Trust had already started the engagement process with Ernst Young yesterday before we had met.

Karl Le Quesne  
Group Manager | Early Childhood Education  
Ministry of Education  
45-47 Pipitea Street, PO Box 1666, Thorndon, Wellington, New Zealand  
DDI 04 463 8090  
MOB 027 451 0959  
Email [karl.lequesne@minedu.govt.nz](mailto:karl.lequesne@minedu.govt.nz) | <http://www.minedu.govt.nz>

8  
s 9(2)(a) and 9(2)(f)(iii) OIA

**From:** Karl Le Quesne  
**Sent:** Wednesday, 16 October 2013 9:56 a.m.  
**To:** [REDACTED]; James Jong  
**Cc:** Paula Rawiri  
**Subject:** RE: Revised ToR

Thanks [REDACTED]

s 9(2)(a) OIA

I'm back on board. Meeting with [REDACTED] at 12pm to finalise these. We'll also make contact today with Ernst Young and engage them. Will update you at the end of the day.

James, Joanne Doolan at EY is the contact.

s 9(2)(a) and 9(2)(f)(iii) OIA  
**From:** [REDACTED]  
**Sent:** Wednesday, 16 October 2013 9:52 a.m.  
**To:** Paula Rawiri  
**Cc:** Karl Le Quesne  
**Subject:** Revised ToR

Hi Paula,

See below revised ToR. This was a later version of the ToR as agreed - but it needs to be updated to focus on "all public funding" consistent with the joint statement.

I think the first scope paragraph was amended to "Any public monies provided to the Board are being used for the purpose provided"

s 9(2)(a) and 9(2)(f)(iii) OIA

#### Draft Terms of Reference (version 2)

#### Independent Audit of Financial Controls in Te Kōhanga Reo National Trust and subsidiary Te Pātaka Ohanga

15 October 2013

#### Introduction

The Crown and Te Kōhanga Reo National Trust Board (the Board) have agreed to an independent audit of the financial controls in the Board and subsidiary Te Pātaka Ohanga in relation to public funding.

#### Objectives

The objectives of the audit are to:



1. describe and assess the financial control environment
2. identify instances where there are gaps in financial controls
3. determine the extent to which the key financial controls are operating as intended
4. make recommendations on any improvements in financial controls that are required to provide a high level of assurance to the Board and the Crown
5. report back on the implementation of any remedial actions the Board takes to address the findings of this audit
6. establish what if any public funding has been provided to Te Pātaka Ohanga since it was established.

### **Scope**

The audit will cover the financial management of all public funding by the Board and its subsidiary Te Pātaka Ohanga.

It will also cover any publicly funded activities sub-contracted or delegated by the Board to Te Pātaka Ohanga.

The audit will not consider any specific funding claims made by individual kōhanga reo, but will cover the controls in place to give the Board assurance over funding claims by kōhanga reo.

The audit will cover controls in place over funding provided through both the Ministry of Education and the Tertiary Education Commission.

### **The Report**

The report of the independent audit will be made available to both the Board and the Crown.

s 9(2)(a) and 9(2)(f)(iii) OIA

**From:** Mark Evans [Mark.Evans@oag.govt.nz]  
**Sent:** Wednesday, 16 October 2013 11:53 a.m.  
**To:** James Jong  
**Cc:** Karl Le Quesne  
**Subject:** RE: Revised ToR

Thanks for the chance to comment James/Karl.

We are pleased to note the first two sentences under the Scope heading. I understand from James that, under the Objectives heading, 'financial controls' means more than just standard segregation of duties etc, but would include consideration of proper use of funds.

With those comments, we don't have more to add at this stage.

R/Mark

Dr Mark Evans  
Sector Manager (Education & Primary Production)  
Parliamentary Group  
Office of the Auditor-General Te Mana Arotake and Audit New Zealand Mana Arotake Aotearoa  
Rugby House  
Level 2, 100 Molesworth St, Thorndon, Wellington, 6011  
PO Box 3928, Wellington, 6140  
Office: +64 4 917 1538  
Mobile: 0212221791  
[www.oag.govt.nz](http://www.oag.govt.nz) and [www.auditnz.govt.nz](http://www.auditnz.govt.nz)  
Follow the Auditor-General on Twitter:  
[www.twitter.com/auditor\\_general](http://www.twitter.com/auditor_general)  
Like the Auditor-General on Facebook:  
[www.facebook.com/auditorgeneralnz](http://www.facebook.com/auditorgeneralnz)

**From:** James Jong [mailto:James.Jong@minedu.govt.nz]  
**Sent:** Wednesday, 16 October 2013 11:36 a.m.  
**To:** Mark Evans  
**Cc:** Karl Le Quesne  
**Subject:** FW: Revised ToR

Mark,

Karl is meeting with TKRNT at noon today. Could you please add the OAG's objective to the TOR below before then?

#### Draft Terms of Reference (version 2)

Independent Audit of Financial Controls in Te Kōhanga Reo National Trust and subsidiary Te Pātaka Ohanga

15 October 2013

#### Introduction

The Crown and Te Kōhanga Reo National Trust Board (the Board) have agreed to an independent audit of the financial controls in the Board and subsidiary Te Pātaka Ohanga in relation to public funding.

#### Objectives

The objectives of the audit are to:

1. describe and assess the financial control environment
2. identify instances where there are gaps in financial controls
3. determine the extent to which the key financial controls are operating as intended
4. make recommendations on any improvements in financial controls that are required to provide a high level of assurance to the Board and the Crown
5. report back on the implementation of any remedial actions the Board takes to address the findings of this audit
6. establish what if any public funding has been provided to Te Pātaka Ohanga since it was established.

#### Scope

The audit will cover the financial management of all public funding by the Board and its subsidiary Te Pātaka Ohanga.

It will also cover any publicly funded activities sub-contracted or delegated by the Board to Te Pātaka Ohanga.

The audit will not consider any specific funding claims made by individual kōhanga reo, but will cover the controls in place to give the Board assurance over funding claims by kōhanga reo.

The audit will cover controls in place over funding provided through both the Ministry of Education and the Tertiary Education Commission.

#### The Report

The report of the independent audit will be made available to both the Board and the Crown.

Regards,  
James

James Jong | Chief Internal Auditor  
Ministry of Education | P O Box 1686 Wellington, New Zealand  
DDI: +64 4 463-8731 | Mobile: +64 21 718 588  
Email: [james.jong@minedu.govt.nz](mailto:james.jong@minedu.govt.nz) | Website: [www.minedu.govt.nz](http://www.minedu.govt.nz)

#### DISCLAIMER:

This email (including any attachments) may contain information which is confidential or legally privileged and may not reflect the Ministry of Education's view. The Ministry is not responsible for changes made to this email after we've sent it. If you have received this email by mistake, please reply to the Ministry immediately and delete both messages.

---

The information contained in this email is intended only for the addressee and is not necessarily the official view or communication of Office of the Controller and Auditor-General. If you are not the intended recipient you must not use, disclose, copy or distribute this message or the information on it.