

RAPID RESPONSE

Drafter: Karl Le Quesne
 Metis Number: 818703
 File number: IM60/102/54/3
 Date: 22/10/2013

QUESTION FOR ORAL ANSWER (For rules see back)

Name: Hon Manata Mahuta

Associate Education (Hon Pita Sharples)
 To the Minister of Education

When did he first receive any advice regarding inappropriate spending associated with the National Te Kohanga Reo Trust?

ANSWER:

I first received advice on inappropriate spending associated with Te Kohanga Reo National Trust on 10 October 2013.

Background

Timeline

10 October 2012

- Native Affairs contacted Hon Sharples' office on 10 October 2013 to be interviewed about Trust expenditure of public funding.
- Hon Sharples office referred Native Affairs to the Secretary for Education because funding of the Trust was an operational matter.

13 October 2013

- Native Affairs contacted Hon Sharples' on 13 October 2013 requesting an interview.

14 October 2013

- *Native Affairs* released a special investigation into the use of credit cards by a director and the general manager of Te Pataka Ohanga, a subsidiary company of Te Kōhanga Reo National Trust.

15 October 2013

- The General Manager of Te Pataka Ohanga, Lynda Tawhiwhirangi, was suspended.
- Te Kōhanga Reo National Trust advised that all credit cards for Te Pataka Ohanga staff and its directors had been cancelled.
- Minister Parata and Minister Sharples met with Te Kōhanga Reo National Trust board members to discuss the allegations. Given the high levels of Crown funding provided, it was agreed that an independent, specialist review was required to ascertain the appropriate use of funding received.
- The Minister of Education, Hekia Parata, announced an independent, specialist review of the controls the Trust has in place to account for the use of public funding.
- Te Kōhanga Reo National Trust Board endorsed this independent review into the financial controls of public funding received by Te Kōhanga Reo National Trust.
- Te Kōhanga Reo National Trust advised that they are commissioning their own independent audit of financial activity within Te Pataka Ohanga.

16 October 2013

- The objectives and the scope of the review were agreed with Te Kōhanga Reo National Trust.

17 October 2013

- Ernst and Young are commissioned to conduct the independent, specialist review as a matter of urgency.
- The independent, specialist review will be completed by 6 December 2013.

21 October 2013

- Ernst and Young commence the independent, specialist review into the use of public funding by Te Kōhanga Reo National Trust.
- Minister of Education, Hekia Parata and Associate Minister of Education, Dr Hon Pita Sharples published the objectives of the independent review of public funding.

Te Kōhanga Reo

- In 2012 about 8,902 Māori attended kōhanga reo, which is 21% of all Māori enrolments in ECE.
- 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.

Public Funding

- 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).

Accountability

- Kōhanga reo must meet the same standards for health and safety as other ECE services.
- All ECE services and kōhanga reo have their funding claims audited by the Ministry of Education.
- The Trust provides milestone reports on what it has delivered under all contracts.
- Kōhanga reo are also reviewed by the Education Review Office.
- The Ministry of Education does not routinely audit the bodies that own or govern ECE services.
- The Trust delivers three tertiary qualifications, funded through the Tertiary Education Commission, against which it also reports.
- The Trust also delivers four courses recognised by the New Zealand Qualifications Authority, but which are not funded through the Tertiary Education Commission.

Property Pūtea

- The Government contributed funding in 1990 to a Trust run property pūtea, 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 Gallen, which recommended that the practice of using public grants for loans cease.
- Since 2000 grants to kōhanga reo cannot be provided as a loan.

Funding Rates

- Funding rates for kōhanga reo and other ECE services are attached.

| 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 |
| Teacher-led home-based services | | | | | | |
| Standard | \$7.20 | \$3.90 | \$8.68 | \$7.24 | \$3.92 | \$8.71 |
| Quality | \$8.22 | \$4.40 | \$9.17 | \$8.26 | \$4.42 | \$9.22 |
| All day teacher-led services | | | | | | |
| 80% + Registered ECE Teachers | \$11.93 | \$6.60 | \$11.25 | \$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 |
| All day Kindergartens | | | | | | |
| 80% + Registered ECE Teachers | \$12.17 | \$6.78 | \$11.48 | \$12.25 | \$6.83 | \$11.56 |
| 50-79% Registered ECE Teachers | \$11.00 | \$5.88 | \$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 |
| Sessional teacher-led centre-based services excluding Kindergartens | | | | | | |
| 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 |
| Sessional Kindergartens | | | | | | |
| 100% Registered ECE Teachers | \$12.90 | \$6.47 | \$7.75 | \$12.99 | \$6.51 | \$7.80 |
| Playcentre | | | | | | |
| 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 |
| Licensed Kōhanga Reo – (except those recognised as teacher-led for funding purposes) | | | | | | |
| 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 |

RAPID RESPONSE

Drafter: Karl Le Quesne
 Metis Number: 820083
 File number: IM60/102/53/3
 Date: 1 November 2013

Update on Independent Review of Te Kōhanga Reo National Trust Use of Public Funding

- **14 October:** Māori Television's Native Affairs programme reported on alleged misuse of credit cards by a director and general manager of a subsidiary company of Te Kōhanga Reo National Trust.
- **15 October:** the Minister of Education and Associate Minister of Education, Hon. Dr Pita Sharples, met representatives of the Trust Board, and then commissioned an independent, specialist review of the use of public funding by the Trust.
- **16 October:** the scope and objectives of the independent review were confirmed with the Trust Board.
- **21 October:** Ernst and Young and Ministry of Education officials met with Trust Board and management representatives to discuss the detailed plan and approach for the review.
- **30 October:** Ernst and Young met with Trust management to start documenting Trust financial management processes and records.
- Trust management is cooperating with Ernst and Young.
- The Trust Board still has concerns about how far the review looks into the subsidiary company, Te Pataka Ohanga, at the centre of the allegations, arguing that it receives no public funding.
- Nevertheless, the agreed scope for the review covers whether or not public funding is going through the Trust to that subsidiary company.
- The review is scheduled to be completed in early December 2013.
- Joint work with the Trust on a response to the Waitangi Tribunal findings in WAI 2336 continues to be on hold while the review is conducted.
- Joint work with the Trust to increase enrolments in kōhanga, and contribute to the Better Public Service goal of 98% prior participation in ECE in 2016, continues.

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

From: Karl Le Quesne
Sent: Thursday, 7 November 2013 10:10 a.m.
To: 'grant.taylor@nz.ey.com'; 'Zach.Beardman@nz.ey.com'
Subject: RE: TKR Trust

Thanks for the update.

I'll seek a meeting with the Charities Commission next week. What times would suit you next week?

And would you be able to send me any final document that sets out the detailed review plan.

Thanks again.

Karl Le Quesne

-----Original Message-----

From: grant.taylor@nz.ey.com [mailto:grant.taylor@nz.ey.com]
Sent: Thursday, 7 November 2013 10:00 a.m.
To: Karl Le Quesne
Cc: Zach.Beardman@nz.ey.com
Subject: RE: TKR Trust

Karl - Zach and I met with TKR yesterday to reach agreement on the areas in and out of scope for the review.

Based on this discussion, we are comfortable that we will be able to perform sufficient work to adequately address the terms of reference.

Further, [REDACTED] mentioned that the Charities Commission will be commencing its on-site work in the next few weeks.

s 9(2)(a) OIA

Regards
 Grant

Sent with Good (www.good.com)

-----Original Message-----

From: Karl Le Quesne <Karl.LeQuesne@minedu.govt.nz>
To: "'Zach.Beardman@nz.ey.com'" <Zach.Beardman@nz.ey.com>,
 [REDACTED] s 9(2)(a) OIA
Cc: "grant.taylor@nz.ey.com" <grant.taylor@nz.ey.com>,
 "casey.webster@nz.ey.com" <casey.webster@nz.ey.com> Sent on : 23/10 20:40:19 ZE12 Subject
 : RE: Draft plan

Hi Zach

I am comfortable with the revised plan and have no specific comments to make.

Regar

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 | <http://www.minedu.govt.nz> ds

From: Zach.Beardman@nz.ey.com [<mailto:Zach.Beardman@nz.ey.com>]
Sent: Wednesday, 23 October 2013 5:37 p.m.
To: Karl Le Quesne; [REDACTED] s 9(2)(a) OIA
Cc: grant.taylor@nz.ey.com; casey.webster@nz.ey.com
Subject: Draft plan

Hi

Attached is our updated plan for your review and comment.

Regards

Zach Beardman

| | |
|--|---|
| (Embedded image moved to file: pic31889.gif) | Zach Beardman Assistant Manager Assurance |
| | Ernst & Young |
| | Level 24, 100 Willis Street, Wellington 6011, New Zealand |
| | Office: +64 4 499 4888 Direct: +64 27 489 9339 zach.beardman@nz.ey.com |
| | Website: http://www.ey.com |

<http://www.ey.com/nz>

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

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From: Karl Le Quesne
Sent: Sunday, 26 January 2014 8:32 p.m.
To: Rawiri Brell
Subject: RE: Agenda attached for agency meeting Mon 27 Jan

Ok
We've already got a draft comms plan worked up with [REDACTED] and [REDACTED] from comms so we'll review it etc.

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

Sent from Telecom's XT mobile network. Faster in more places

----- Original message -----

From: Rawiri Brell <Rawiri.Brell@minedu.govt.nz>
Date:
To: Karl Le Quesne <Karl.LeQuesne@minedu.govt.nz>
Cc: [REDACTED]
Subject: RE: Agenda attached for agency meeting Mon 27 Jan

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

thanks Karl - this looks pretty straightforward. we'll get lots of media requests for the report etc... [REDACTED] probably needs to be working on some key messages - might be good if you could touch base with [REDACTED] in MO (and [REDACTED] re the politics around this: Minister requested this report. Trust agreed to it; they were doing their own of TPO; heading for a joint meeting with trustees re a media release end of week or about the time of Waitangi Day.

Rawiri Brell
Deputy Secretary of Education
Early Years Parents and Whanau Group
Ministry of Education
45-47 Pipitea Street, PO Box 1666, Wellington 6140, New Zealand
DDI (04) 463 8197 | Mobile 021 427 638
Email rawiri.brell@minedu.govt.nz | <http://www.minedu.govt.nz>

From: Karl Le Quesne
Sent: Sunday, 26 January 2014 3:07 p.m.
To: Rawiri Brell
Cc: [REDACTED] s 9(2)(a) and 9(2)(f)(iii) OIA
Subject: RE: Agenda attached for agency meeting Mon 27 Jan

Here are some talking points.

- Ernst and Young audit completed
- Expect draft report today
- Trust has confirmed the draft report is factually correct
- EY have told us that most financial controls on public funding are ok
- Some areas for improvement identified around credit card and koha expenditure

- Some subsidy funding for kohanga is paid to subsidiary Te Pataka Ohanga, to purchase insurance for kohanga
- EY say Trust seeks independent advice on the value of this arrangement from time to time
- Report identifies a \$50k koha to a board member for contribution to the WAI 2336 claim
- EY concludes the documentation around this was not adequate – rationale and Board sign off
- Still to be resolved, but to be discussed this week
 - Charities Commission inquiry into Te Pataka Ohanga
 - [REDACTED] s 9(2)(ba)(i) OIA
- Next steps
 - Brief Dr Sharples – Agency Meeting – 27 January?
 - Discuss findings with AoG and Charities Commission – 31 January
 - Provide feedback on draft report – 3 February
 - Seek Trust's formal response to findings – what improvements will it make – 14 February
 - Joint Ministerial – Trust PR on findings week 17 February.

From: Rawiri Brell

Sent: Friday, 24 January 2014 3:49 p.m.

To: Karl Le Quesne

Subject: FW: Agenda attached for agency meeting Mon 27 Jan

kohanga is on the agenda – the key dates and bullets will be great

Rawiri Brell

Deputy Secretary of Education

Early Years Parents and Whānau Group

Ministry of Education

45-47 Pipitea Street, PO Box 1666, Wellington 6140, New Zealand

DDI (04) 463 8197 Mobile 021 427 638

Email rawiri.brell@minedu.govt.nz | <http://www.minedu.govt.nz>

From: [REDACTED]

Sent: Friday, 24 January 2014 3:31 p.m.

To: DL Leadership Team - Internal

Subject: Agenda attached for agency meeting Mon 27 Jan

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

Thanks

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Aide Memoire 27 January 2014

Audit of Financial Controls for Public Funding in Te Kōhanga Reo National Trust

1. You and the Minister of Education announced on 15 October 2013 an independent audit of financial controls for public funding paid to the Trust.
2. Ernst and Young carried out the audit through November and December 2013.
3. The Trust received a draft audit report to check the facts just before Christmas.
4. Further information is being provided by the Trust Board to Ernst Young by close of play 27 January 2014.
5. The Ministry should receive the draft report for comment by 29 January 2014.
6. The Trust will also provide for the report the actions it will take to address the findings.
7. Ministry will provide comment on the draft audit report within a week.
8. A briefing note on the findings can be prepared for the Minister of Education and you as soon as we receive the draft report.
9. There would be value in you, the Minister of Education and the Trust Board publicly releasing the final audit report and Trust response later in February 2014.
10. The Trust has an audit underway of its subsidiary Te Pataka Ohanga. It is a matter for the Trust to decide whether or not to release that report.
11. The Minister of Education will lead the response to the audit findings, liaise with the Trust and release of any information about the audit.