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Emails between Minister's office and the Trust

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

From: Geoff Short
Sent: Tuesday, 18 March 2014 2:51 p.m.
To: [REDACTED] s 9(2)(a) OIA
Subject: FW: Meeting heads up
Attachments: 140318 Draft qa.docx

Importance: High

Fyi

From: [REDACTED] s 9(2)(a) and 9(2)(f)(iii) OIA
Sent: Tuesday, 18 March 2014 2:42 p.m.
To: Geoff Short
Subject: Meeting heads up
Importance: High

Geoff

Attached draft q and a for advance notice to the Trust.

The overview focus of the likely key messages from our office are:

- The EY report found that the Trust's financial controls in relation public monies were appropriate
- EY recommended some improvements and the Trust is already responding to these
- The financial affairs of the Trust's private company Te Pataka Ohanga are outside of the scope of the report, and the purview of Ministers. Any matters relating to TPO must be taken up with the Trust directly.

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DRAFT Q&As

What exactly was the Ernst and Young independent review designed to do?

- The independent review was commissioned to assess the financial controls Te Kōhanga Reo National Trust (the Trust) has in place to manage the public funding it receives.

How was the review conducted?

- Ernst and Young's approach included:
 - Interviews with Trust staff
 - Testing key controls on a sample basis
 - Comparing the Trust's systems and controls against expectations for organisations of comparable size and complexity to the Trust
 - Reviewing documentation such as financial records, annual reports, internal communications and milestone reports submitted to the Ministry of Education.
- The results of this work formed the basis of the report's findings.

Why did the review not audit the financial affairs of Te Pātaka Ōhanga?

- Ernst and Young was asked to focus on the financial controls in the Trust, including whether or not public funding was going to Te Pātaka Ōhanga.
- Ernst and Young was not asked to investigate the financial affairs of Te Pātaka Ōhanga.
- Te Pātaka Ōhanga is a subsidiary organisation owned entirely by the Trust. The Ministry of Education does not have any contractual or financial relationship with Te Pātaka Ōhanga. The Ministry of Education cannot investigate the financial affairs of a body that it does not fund.

How do you know that Te Pātaka Ōhanga isn't misusing public funding if you didn't audit it?

- Ernst and Young could not investigate the financial affairs of Te Pātaka Ōhanga because it was asked to assess the Trust's financial controls. Te Pātaka Ōhanga is a private company, with charitable status.
- The review says that no public funding paid to the Trust was paid to Te Pātaka Ōhanga. This is because the Ministry has no contractual or financial relationship with Te Pātaka Ōhanga. Te Pātaka Ōhanga receives funding from the Trust after kōhanga reo services have been delivered.

If public funding paid to the Trust was being paid on directly to Te Pātaka Ōhanga, would the review have picked this up?

- This matter was subject to the review. Ernst and Young found that no public funding paid to the Trust was paid directly to Te Pātaka Ōhanga.

Can you guarantee that public funds are not being misused by either the Trust or Te Pātaka Ōhanga?

- Ernst and Young found that most financial controls in the Trust are what would be expected for an organisation of its size and complexity.
- There are financial processes the Trust needs to improve and those are being addressed by the Trust.

What authority does the Ministry have over the Trust and its spending of public monies?

- The current relationship between the Trust and the Government is principally through the Ministry and is a contractual one. The Trust acts as a fund-holder for the bulk grant that is distributed to all eligible kōhanga reo.

The Ministry can reclaim funding where any mistake has been made in funding claims by kōhanga reo.

How satisfied is the Minister/Ministry with the findings in the report?

- It is reassuring that Ernst and Young has concluded that the overall financial controls they expect are in place. Some issues of concern were identified, and it is important the Trust addresses these. The Ministry is following up with the Trust on these matters.

What are some of the main findings of the report?

- The report found:
 - The Trust has an audit and risk committee which has comprehensive terms of reference that are in line with good practice.
 - Accounts and disclosures are for the most part properly described in the Trust's financial reports.
 - The Trust does not have an internal audit function but has previously requested its external auditor to extend the scope of its procedures. This is consistent with other, similar organisations. Ernst and Young encouraged the Board to expand audit scope in areas of risk, on a rotational basis.

What specific findings were there in relation to credit cards?

- Specifically in relation to credit card controls the report found:
 - The Trust has adequate control policies around the use of cards but those controls have not been operating in line with the policy.
 - Many credit card returns in 2012 did not include relevant supporting documentation and were not prepared in a timely manner.
- In October 2013, the Trust cancelled all its credit cards.

What about koha?

- The report found:
 - Cash withdrawals for koha amounts between \$100 and \$200 had been made.
 - Small koha payments had been made through petty cash reserves and approved by a district manager.
 - This was not consistent with the Trust's koha policy which requires the Chief Executive's pre-approval.

A koha payment of \$50,000 was made to an unnamed Board member. Is this a satisfactory practice?

- The audit found the payment a payment was not included in the related party transaction disclosures in the Trust's 2012 Annual Report, as required by the accounting financial reporting standard: NZIAS 24 *Related Party Disclosures*.
- The Board now understands that these koha should be declared publicly and has committed to follow this process correctly in future.
- Any more questions about this matter should be directed to the Trust.

If the koha payments weren't declared, does that mean the government missed out on collecting any tax in relation to the koha payments?

- This is a private tax matter for the Inland Revenue Department, the Trust, and the persons concerned.

How will the review impact kōhanga reo?

- The review found that overall the Trust's financial controls are generally consistent with Ernst and Young's expectations.
- It will be important for the Trust to continue to improve its management and governance of the public funding it receives to provide confidence to the kōhanga whānau and to the Crown.

What does the Ministry think about the alleged amount of money the General Manager of Te Pātaka Ōhanga is said to be asking for?

- This is an employment matter between the staff member and employer. It is inappropriate for the Ministry to comment.

How is the Trust governed?

- Te Kōhanga Reo National Trust is governed by a national Trust Board, nine Trustees, a Chief Executive Officer and three General Managers.
- The managers have delegation from the Board to implement the Trust's strategic direction and policies as set by the Board.
- The Trust employs 91 people.

How are kōhanga reo funded?

- The Trust receives funding through contracts for services it has with the Ministry of Education and Tertiary Education Commission. The Trust also occasionally receives grants from Te Puni Kōkiri for cultural activities in comparatively small amounts.

How does the Ministry specifically fund kōhanga reo?

- The Trust acts as a fund-holder for the bulk grant from the Ministry that is distributed to all eligible kōhanga reo. This is similar to how other large early learning providers are funded. Funding administered on behalf of individual kōhanga reo includes kaupapa funding and Targeted Assistance for Participation grants.
- Funding is in accordance with the Early Childhood Education Funding Handbook and is based on the number of children attending individual kōhanga reo around the country. Roll information is provided by individual kōhanga reo to the Trust. The Trust reviews and consolidates that information and submits it to the Ministry, who issues payments that reflect the enrolment data.
- In 2012, 465 kōhanga reo received approximately \$79 million kaupapa funding. This was paid in three instalments.

What is different about the way kōhanga reo are funded compared to other early learning services?

- Payments to the Trust for kōhanga reo are only made after all services have been delivered.
- With all other early learning providers, the bulk of the payment is made before the services have been provided and the rest is paid on delivery.

What services is the Trust contracted to provide for the Ministry of Education?

- The Memorandum of Agreement between the Ministry and the Trust is the basis on which the Ministry funds the Trust to provide services to individual kōhanga reo. The agreement specifies three distinct services that the Trust will provide:
 - Advice and support to kōhanga reo
 - Administration of the funding for kōhanga reo
 - Management of the Targeted Assistance for Participation (TAP).
- For these services the Trust has received \$2.56 million per annum since the contract start date of 1 January 2008.

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Emails between Minister's office and the Trust

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

From: Geoff Short
Sent: Tuesday, 18 March 2014 8:26 p.m.
To: [REDACTED] s 9(2)(a) OIA
Subject: RE: Letter from the Minister of Education

Still on. I'm in the office working.

Geoff

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

From: [REDACTED]
Sent: Tuesday, 18 March 2014 8:29 p.m.
To: Geoff Short
Subject: Re: Letter from the Minister of Education

Ka pai. Hope the media conference went well?

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

On 18/03/2014, at 8:23 pm, Geoff Short <Geoff.Short@parliament.govt.nz> wrote:

Hi [REDACTED]

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

Many thanks to you and the Board for coming in this evening. Further to the release of the report, please find attached a letter of release.

Geoff

<140318 Letter Hon Parata to TKR Trust Board - EY review release.pdf>

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Office of Hon Hekia Parata

Minister of Education

18 MAR 2014

Tākuta Timoti Kāretu and Tina Olsen-Ratana
Te Kōhanga Reo National Trust Board
P O Box 38741
WELLINGTON 5045


Tēnā kōrua

Ernst and Young have now completed their independent review into the financial controls Te Kōhanga Reo National Trust Board has in place to manage public funding.

There is public interest in this review. Following our meeting tonight, the Ernst Young review and my advice from the Ministry of Education will be released publicly.

Thank you for your cooperation with this review.

Heoi anō


Hon Hekia Parata
Minister of Education

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

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From: [redacted]
Sent: Wednesday, 19 March 2014 10:14 a.m.
To: Karl Le Quesne (Karl.LeQuesne@minedu.govt.nz)
Cc: Rawiri Brell (rawiri.brell@minedu.govt.nz); Jan Breakwell
Subject: SUPER URGENT: Letter to [redacted] [Seek legal advice]
Attachments: 140317 Email [redacted] to Ministers.docx; 14.3.10 [redacted] to TKRNTB Trustee - Confidentiality Agreement and Recent Events.pdf

Importance:

High

s 9(2)(a) OIA

Hi Karl,

Please provide an urgent letter (from both Ministers) to reply to [redacted] email and the attached correspondence [redacted] has shared with Ministers.

s 9(2)(a) OIA

General approach:

- Refer to the discussion last night about who responds to what
- Ministers are not keen to become involved in private TPO and/or Trust business
- Consult Crown Law on the response

We need to have the letter finalised ASAP. Please provide a draft letter by midday today. FYI, we expect to finalise the letter and have it signed before 2pm (at the absolute latest).

Grateful for your urgent assistance. As this is a sensitive matter it has not been copied to ministerials.

DUE: midday today (please keep MO updated about progress/issues)

Regards,

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

Office of Hon Hekia Parata | Minister of Education | 6.4 Executive Wing | Parliament Buildings | WELLINGTON

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.

Attachments – refer to items 40 and 40a

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Emails between Minister's office and the Trust

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

From: [REDACTED] s 9(2)(a) OIA
Sent: Wednesday, 19 March 2014 1:59 p.m.
To: Geoff Short; Hon. Dr. Pita Sharples; Rawiri Brell
Cc: [REDACTED] s 9(2)(a) OIA
Subject: TKRNTB Panui to TKR Whanau 19032014
Attachments: TKRNTB Panui to TKR Whanau 19032014.pdf

Please see attached panui to the kohanga whanau that we distributed an hour ago. The media release shortly follows.

Thanks

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

From: [REDACTED] s 9(2)(a) OIA
Sent: Wednesday, 19 March 2014 1:14 p.m.
To: [REDACTED] s 9(2)(a) OIA
Subject: TKRNTB Panui to TKR Whanau 19032014

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

Please see attached the revised panui for distribution to all kohanga.

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

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P.O. Box 38741 Wellington M.C.
67 Hankey Street, Mt Cook,
Wellington, New Zealand.
Ph: (04) 381 8750, Fax: (04) 381 8777



19 March 2014

PANUI FROM THE TRUST BOARD

On 15 October 2013 the Minister of Education announced an independent investigation into the Kohanga Reo National Trust's financial controls would be conducted. This investigation was done by accounting firm Ernst and Young. Minister Parata and Minister Sharples have now released the final EY report.

You may have seen, heard or read reports this morning that the Trust has been cleared of any wrong doing involving the taxpayer funds.

We can confirm that the report found that, contrary to media stories, the Trust did not provide public funds to Te Pataka Ohanga. It also found that the Trust's internal financial controls were generally consistent with the expectations of EY for an organisation of similar size and scope, and that there were no deficiencies in the Trust's governance arrangements.

The Trust welcomes the findings of the report. The report confirms that the Trust has sound financial practices and controls that are effective. The Trust cooperated fully with EY and the report thanks the Trust for its assistance.

The report also provides the Trust with helpful suggestions about how internal controls could be further strengthened. The Trust agrees with these suggestions and has already implementing them.

Whanau should also be aware that the Department of Internal Affairs (charity services branch) is investigating Te Pataka Ohanga. The directors of TPO are cooperating with that investigation, which is ongoing.

The Board hopes that Kohanga whanau now feel confident that the Trust is running its affairs properly and that whanau can continue the sterling work you have done for the past 32 years rekindling Te Reo Maori in tens of thousands of our tamariki and whanau.

Hei kōwhiri mai me ngā mihi nui

Tākuta Timoti Karētu
Co-Chair

Tina Olsen-Ratana
Co-Chair

Emails between Minister's office and the Trust

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

s 9(2)(a) OIA

From: Geoff Short
Sent: Wednesday, 19 March 2014 2:03 p.m.
To: [REDACTED]
Cc: Chris Tooley
Subject: Letter from Ministers of education
Attachments: Letter to TKRNTB.pdf

Tēna koe [REDACTED] s 9(2)(a) OIA

Further to my short phone call, please find attached a letter from the Minister of Education and the Associate Minister of Education to the Trust Board. Grateful if you can ensure that members of the Board receive this with urgency.

Naku nōa, na

Geoff Short
Chief Education Advisor
Office of the Minister of Education
Office of Hon Hekia Parata
DDI: (04) 8179830 | Mobile: 021 2439553

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Office of Hon Hekia Parata

Minister of Education

19 March 2014

Te Kōhanga Reo National Trust Board
67 Hankey Street
WELLINGTON

Tena koutou

Further to our meeting last evening.

As has been expressed by us for a number of months now, and was reiterated by us to the Board last night, we remain concerned about the Trust Board's internal management and governance processes. We are also disappointed with the Board's inability to respond with the necessary urgency to the public interest in allegations of inappropriate spending in Te Pātaka Ohanga.

We confirmed last night with the release of the report by Ernst and Young, following its independent review of the public funding arrangements and financial controls of the National Trust, that public monies are being dealt with appropriately by the Board. The report also says that no public monies are being received by Te Pātaka Ohanga and that the financial controls at the Board were effective and as expected for an organisation of this size and complexity.

It is clear, however, that there is still a significant interest in the operations of the Trust's wholly owned subsidiary Te Pātaka Ohanga. We have been clear the issues related to Te Pātaka Ohanga are a matter for the Trust to address and that the Charities Services is undertaking an investigation into the affairs of Te Pātaka Ohanga.

While it is not within the purview of Ministers of the Crown, we continue to communicate to you our strong concern and request that you take swift action to address the allegations that have been made, and ensure that any internal organisational matters relating to the affairs of Te Pātaka Ohanga are in order.

A central concern we have is that the operating model the Te Kōhanga Reo National Trust is using to make purchasing decisions is robust and efficient and passes the benefits to kohanga reo.

We are deeply concerned about the effect these issues continue to have on the ability of the Trust Board to carry out its responsibilities for managing the network of Kohanga Reo. We are keen to ensure that the matters you have raised are resolved as soon as possible.

Last evening you gave your assurance that these matters were in hand, and that you would be available to address concerns in public today. It is not clear to us that this is occurring and we urge you to take immediate steps to restore public confidence in the governance and management by the Trust of your subsidiary, Te Pātaka

Ohanga. We have also recently received a letter from one of your Trustees raising further concerns regarding Te Pātaka Ohanga and its relationship with the Trust Board. We are taking these concerns very seriously and accordingly are advising you we are referring these to the Serious Fraud Office.

As has been discussed, we have tasked the Ministry of Education to engage Ernst and Young to undertake a follow-up review within the next six months to identify progress with implementing the recommendations of the recent review.

As was indicated last night, we need to be satisfied that the Trust Board's governance issues have been addressed before any discussions can resume over the issues arising from WAI 2336.

We require the Board to respond on these matters with urgency.

Heoi anō



Hon Hekia Parata
Minister of Education



Hon Dr Pita R Sharples
Associate Minister of Education

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

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From: [REDACTED]
Sent: Wednesday, 19 March 2014 2:34 p.m.
To: 'enquiries@sfo.govt.nz'; 'complaints@sfo.govt.nz'
Subject: Referral of matter regarding Te Kohānga Reo National Trust Board
Attachments: 14.3.10 [REDACTED] to TKRNTB Trustee - Confidentiality Agreement and Rece....pdf;
140319 Letter [REDACTED] to Julie Read SFO.PDF; Original email to Ministers.pdf

s 9(2)(a) OIA

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

Good afternoon

Please find attached a letter on behalf of the Minister of Education referring on for your consideration and possible action material received by Ministers in relation to Te Kohānga Reo National Trust Board.

Please do not hesitate to contact me should you have any queries.

Kind regards

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

[REDACTED]
[REDACTED] | Office of Hon Hekia Parata | Minister of Education

Web: <http://www.beehive.govt.nz> and <http://www.parliament.nz>

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Office of Hon Hekia Parata

Minister of Education

19 MAR 2014

Julie Read
Director
Serious Fraud Office

Dear Ms Read

The Minister of Education has recently received a copy of a letter by [REDACTED] a trustee of the Kohanga Reo National Trust Board, which raises a number of allegations about the Trust Board. The letter appears to have been first sent to the Trust Board on 10 March 2014, and was later forwarded to Ministers.

The allegations are serious, and the Minister considers it appropriate to refer the letter to you for you to take such action as you see fit.

Enclosed is a copy of the correspondence.

Sincerely

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

[REDACTED]
Office of Hon Hekia Parata, Minister of Education

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

Refer to items 40 and 40a

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

From: mailmarshal@sfo.govt.nz
Sent: Wednesday, 19 March 2014 2:34 p.m.
To: [REDACTED]
Subject: Complaints Autoreply s 9(2)(a) and 9(2)(f)(iii) OIA

SEEMail Warning #2B - UNVERIFIED SEEMAIL SENDER. See bottom of message for further information.

Thank you for contacting the Serious Fraud Office with your complaint. This email is an acknowledgement of your complaint.

Please keep any documents you may have that support your complaint. If we decide to look into your complaint further we may contact you for these documents. Below is an outline of how we deal with complaints.

OUR CRITERIA

The Serious Fraud Office investigates and prosecutes complex or serious financial crimes. Information provided to the SFO is evaluated against a range of criteria to determine whether that information warrants an investigation by SFO. This criteria includes:

- Whether there is evidence of a financial crime having been committed.
- The nature of the public interest in the matter, such as:
 - the scale of alleged financial losses;
 - the number of persons impacted by the alleged financial crime;
 - the significance of the alleged offending in terms public confidence in the integrity of New Zealand's commercial or financial markets, or the justice system.
- The factual, legal and financial complexity of the alleged financial crime.
- The likelihood of a custodial sentence if the alleged financial crime led to convictions

HOW WE DEAL WITH YOUR COMPLAINT

When we receive your complaint, we review it to see whether it meets our criteria. After we have completed that review:

- If your complaint does not appear to disclose a financial crime we will inform you.
- If it's not a matter that the SFO is responsible for, or your complaint does not meet the criteria for an SFO investigation, we may direct you to a more appropriate law enforcement agency, or directly refer the matter to that agency ourselves.
- If your complaint appears to meet the SFO criteria we will evaluate it further to see whether or not a formal investigation is warranted. We will often contact you for further information to assist the evaluation.

We aim to complete our review of your complaint and inform you of the action we are taking within 10 working days. If we conduct a further evaluation, to see whether or not a formal investigation is warranted, we aim to complete this within 30 working days of receiving your complaint.

Should you have any questions please contact us on complaints@sfo.govt.nz

-
- a. The mail may have been forwarded by a distribution (List serve) service
 - b. The sender is working away from their agency, and using an ISP mail account
 - c. Someone other than the sender may have sent the message and falsified the email address.

Recommended action: If you have doubts about the message authenticity, verify the message contents with the sender by some other means

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

From: mailmarshal@sfo.govt.nz
Sent: Wednesday, 19 March 2014 2:34 p.m.
To: [REDACTED]
Subject: Enquiries Autoreply [REDACTED] s 9(2)(a) and 9(2)(f)(iii) OIA

SEEMail Warning #2B - UNVERIFIED SEEMAIL SENDER. See bottom of message for further information.

Thank you for contacting the Serious Fraud Office with your enquiry. We will respond as soon as possible.

COMPLAINTS

If your email was lodging a complaint with SFO about an alleged serious or complex financial crime this email is an acknowledgement of your complaint.

Please keep any documents you may have that support your complaint. If we decide to look into your complaint further we may contact you for these documents. Below is an outline of how we deal with complaints.

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 - the significance of the alleged offending in terms public confidence in the integrity of New Zealand's commercial or financial markets, or the justice system.
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- The likelihood of a custodial sentence if an investigation into the alleged financial crime led to convictions

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- If your complaint does not appear to disclose a financial crime we will inform you.
- If it's not a matter that the SFO is responsible for, or your complaint does not meet the criteria for an SFO investigation, we may direct you to a more appropriate law enforcement agency, or directly refer the matter to that agency ourselves.
- If your complaint appears to meet the SFO criteria we will evaluate it further to see whether or not a formal investigation is warranted. We will often contact you for further information to assist the evaluation.

Our performance target is to complete the evaluation of 90% of complaints within 30 working days of receipt. The majority of complaints are evaluated and responded to within 10 working days; however more complex matters may take longer to evaluate.

Should you have any questions please contact us on complaints@sfo.govt.nz

- a. The mail may have been forwarded by a distribution (List serve) service
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