

4 June 2015

METIS 923694

Education Report: Māori Education Trust Update


Recommendations

We recommend that you

- a. **note** the summary of earlier briefings provided to you about MET.
- b. **note** that MET has undertaken a range of measures to improve its financial management and overall performance.
- c. **note** that since 2009, MET has paid 917 secondary and 885 tertiary scholarships: a total of 1802 scholarships.
- d. **note** that between 2012 and 2014, the Ministry contributed \$669,475 to MET scholarships with a further \$364,500 accrued, and \$267,767 of administration fee with a further \$54,500 accrued.
- e. **note** that if MET's 2013 accounts are not audited by 30 June 2015 the Ministry will reconsider the future of its relationship with MET based on the facts presenting at the time.
- f. **agree** to make a public release of advice provided to Ministers of Education by the Ministry regarding MET, including this report, at a time to be decided in consultation with your office.
AGREE / DISAGREE
- g. **forward** this report to the Minister of Tertiary Education, Skills and Employment.

Rawiri Brell
Deputy Secretary
Early Years and Learning Support

NOTED / AGREED


Hon Hekia Parata
Minister of Education

5.6.15

Education Report: Māori Education Trust Update

Purpose of report

1. This report gives you an update about the Māori Education Trust (MET), following from earlier reports dated 19 February 2015 (METIS 911124) and 9 March 2015 (METIS 912739).
2. It sets out:
 - a summary of earlier briefings provided to you about MET
 - an update on the Ministry's dealings with MET since the 9 March briefing and its expectations for the future
 - changes to MET's structure and governance arrangements
 - a summary of the type and number of scholarships provided by MET since 2009
 - a summary of Ministry funding provided to MET since 2009
 - an outline of the support the Ministry has in place for MET
 - what the Ministry will do if the 2013 accounts are not audited by 30 June 2015.

Previous Briefings

3. On 19 February you were provided with METIS 911124. This briefing:
 - Advised you of MET's intention to sell the Mapuna Atea Farm and provided you with the information we had regarding MET's reasons for selling the farm and information that MET gave us about its legal obligations in relation to income from the farm and in relation to its ability to dispose of the farm.
 - Provided you with information on the position and history of MET, including a detailed timeline.
 - Noted that our most recent agreement with MET extended to 30 June 2014 and that we would not enter into a further agreement until MET demonstrated acceptable progress towards its existing obligations.
 - Outlined our work with MET since the end of 2013.
 - Outlined five other options for future use of the funding that we would investigate further.
4. On 9 March you were provided with a copy of METIS 912739. This briefing:
 - Updated you on the progress of the farm sale.
 - Provided you with greater detail about
 - the way MET's struggle with the timing of its accounting compliance has contributed to its underutilisation of the scholarship subsidy
 - the steps MET has been taking to address this problem
 - the steps MET has taken to improve its overall financial position for future years.
 - Set out an analysis of the five options for future use of the funding together with a sixth and preferred option, to which you have agreed.

- The sixth option provides for
 - the Ministry to continue to support MET
 - the Ministry to undertake verification of scholarship payments that is sufficiently robust that we can rely upon it as a basis for paying the Crown subsidy without waiting for completion of MET's audits. This will help to maximise the amount of funding available to successful scholarship candidates in each year.
 - the audit requirement to remain, and payment of the administration fee to depend on the receipt of audited accounts for the preceding financial year.
- The other options were as follows:
 - Appointment of an independent auditor. This would not add to benefits of the existing independent auditor and would do nothing to speed the existing processes.
 - Refer the conduct of MET to Charities Services. Having already ascertained that MET is up to date with compliance required by the charities service, we concluded that MET had not done anything that would warrant their attention.
 - Compel a review of MET's trust deed. Compulsion was unlikely to be effective and we were likely to make more progress with a positive approach.
 - Diverting funding to another organisation or other organisations. Considering MET's long term contribution to Māori education we considered that this option should not be pursued until we had given option six a chance to work.
 - Diverting only the unused balance. This would be difficult to administer in practice because of timing issues.

Progress with MET since 9 March 2015

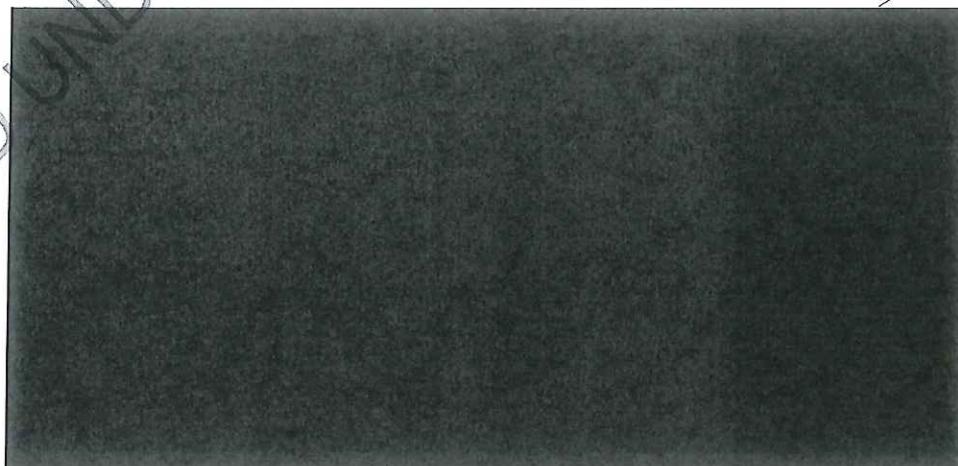
s 9(2)(a) OIA

5. On 30 March 2015 MET [REDACTED] wrote to Rawiri Brell, Deputy Secretary, Early Learning, Parents and Whānau informing him of several key decisions taken by MET at its 26 March Board meeting.

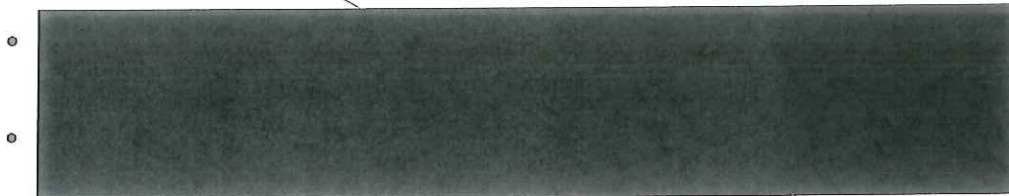
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6. [REDACTED] informed the Ministry that:

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7. On 31 March 2015 MET provided us with the scholarship details we required in order to perform verification work on 2013 and 2014 scholarships. The Ministry will start the verification work shortly.

s 9(2)(a) OIA

8. [REDACTED] wrote to us on 24 April to inform us that the 2013 accounts would be ready for audit by 30 April 2015, the 2014 accounts by 8 May 2015 and the 2015 accounts by August 2015, and that she is writing to the Auditor General to advise her of the same. The 2013 accounts were, in fact, delivered to Audit New Zealand on 30 April 2015 and the 2014 accounts followed on 14 May 2015.

s 9(2)(a) OIA

9. [REDACTED] attributes the speed with which the 2014 accounts are able to follow the 2013 accounts to the very thorough nature of work which MET and its contractors have undertaken since MET took its accounts back from its former accountants.
10. Based on MET's description of the steps it has taken, as well as conversations with MET's auditor over the course of the last year, we expect that after this calendar year, MET will be in a position to comply with a normal routine of account completion and audit. If, in fact, it can present its 2015 accounts for audit by August 2015, MET will already have achieved that.
11. Regardless, we will need to monitor the relationship closely for some time. This will include keeping in place the current verification procedures and audit requirements, and means that we will not return to the earlier practice of paying a share of scholarship subsidy ahead of payment to students until we are satisfied that the organisation has put this last period behind it. Any decision to relax this stance will necessarily require the input of the Chief Internal Auditor.
12. Mapuna Atea farm was settled on the new owner on 2 June 2015 without incident.

MET's Structure and Governance Arrangements

13. MET is an independent charitable trust established by deed dated 21 June 1993. It is governed by a board composed of between four and six trustees as follows:
- the president of the Māori Women's Welfare League
 - one nominee from each of
 - the New Zealand Māori Council
 - the Board of Te Kohanga Reo National Trust
 - Te Rūnanga Nui o Ngā Kura Kaupapa Māori o Aotearoa
 - up to two further trustees to be nominated by the first four trustees.
14. On 24 June 2010, MET formed a wholly owned subsidiary called Ahuwhenua MET Limited to operate its farming activities. The company operated the farms

from 1 July 2010, while the farm assets (property, plant and equipment) continued to be owned by MET. This company was wound up in January 2015.

15. The financial results of the wholly-owned company had to be consolidated with those of the MET parent and audited together. [REDACTED]

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

16. In May of 2013, MET entered into a 50/50 limited liability partnership with Te Tumu Paeroa (the Māori Trustee). Two of MET's three farms were sold to Te Tumu Paeroa and the third (Mapuna Atea) was leased to the LLP until its sale to a third party.

17. The disposal of the farms and investment in the LLP have allowed MET to withdraw from active engagement in the day to day business of farming and, instead, to participate in farming investments in the manner of a passive investor. This has streamlined MET's activity [REDACTED]

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

18. MET employs one manager and one scholarships administrator. Between them they administer between 260 and 350 scholarships annually.

Scholarship types and numbers

19. Since 1963 the Māori Education Foundation and now the MET have provided over 75,000 scholarships to secondary and tertiary students.
20. The table below shows the number and type of scholarships furnished by MET between 2009 and 2014

Scholarships paid

Calendar Year	Number of secondary scholarships	Number of tertiary scholarships	Total number of scholarship recipients
2009	170	150	320
2010	190	158	348
2011	173	137	310
2012	162	144	306
2013	119	138	257
2014	103	158	261
	917	885	1802

21. Secondary scholarships tend to be for amounts of \$500 - \$1000 each. Scholarships are for items such as additional tuition or consumables associated with secondary schooling – uniforms, books, fees of various kinds, money for expenses associated with sporting and cultural activities.

22. Tertiary scholarships cover both undergraduate and post-graduate students. They range in value from \$500 per recipient to \$30,000 (2014 figures). They tend to be used both for consumables associated with tertiary study such as books and fees, and also living expenses for students living away from home. This can include students studying overseas.

Ministry funding

23. The table below shows the amount of subsidy and administration fee paid to MET in respect of the 2012, 2013 and 2014 years. Information about funding for the 2009, 2010 and 2011 years will be provided to you when we have completed the process of checking records for this period.
24. We are currently paid up to 31 December 2013 (subsidy) and 30 June 2014 (administration fee).

Funding for Māori Education Trust¹

Year	Total scholarships awarded	MET contribution	Ministry contribution (including direct disbursement to recipients)	Unused potential subsidy	Administration fee
2012	672,950	336,475	336,475	327,525	104,267
2013	666,000	333,000	333,000	331,000	109,000
2014	729,000	364,500 ²	364,500 (not yet paid)	299,500	109,000 (54,500 not yet paid)
Total	2,067,950	1,033,975	1,033,975	958,025	322,267

Support

25. The Ministry's interest in MET is in its ability to raise funding to match our contribution and to distribute that funding to scholarship recipients. Because, however, our own risk mitigation needs require that MET's accounts be subject to independent audit, we also have an interest in MET being able to produce its annual accounts in a timely fashion.
26. We have been working closely with MET to encourage this progress, and the indications are that this is bearing fruit. MET has delivered on completion and presentation of its 2013 and 2014 accounts for audit. We will know more when the audit has progressed.

¹ The amounts in this table were not necessarily paid in the year to which they relate. This was typically because of delays regarding completion of audited annual accounts

² MET met the full cost of 2014 scholarships (\$729,000). The Ministry's 50% contribution will be reimbursed once verification work is complete.

27. From 2012 onwards, MET has had enough funding to attract the full (or close to full) subsidy, but its inability to provide timely audited accounts prevented it from doing so.
28. Whilst the Ministry is unlikely to be comfortable advancing funds to MET for distribution until the risk profile of the organisation is greatly reduced, by undertaking our own verification of scholarship payments, the Ministry has found a way of being able to provide the scholarship subsidies more quickly so that MET can redistribute the funding within the same year, thus giving scholarship candidates access to a higher proportion of the funding available.
29. We will continue to maintain a close relationship with MET, to encourage its progress and to look for ways to support our shared objectives.

30 June 2015

30. MET's 2013 accounts were submitted for audit on 30 April 2015.
31. If the 2013 accounts are not audited by 30 June 2015, we will need to make a judgement call based on the facts at the time including how much progress MET has made towards getting its compliance in order. We will do so in consultation with MET's auditors and the Ministry's Chief Legal Counsel and Internal Auditor.
32. If, for example, we agree that MET has delivered what was required of it, but there are delays because of auditor availability, we are likely to continue with MET as planned.
33. If, on the other hand, the auditor were to report that the accounts were not in a fit state to be audited, we would need to re-consider the options that have been canvassed in our earlier briefings and referred to in paragraph 9 above.

Public release

34. In order to address public speculation on the circumstances of the MET, we recommend that you make a public release of advice you have received from the Ministry regarding MET, including METIS 911124 (19 February 2015), METIS 912739 (9 March 2015) and this report, at a time to be decided in consultation with your office.

Minister of Tertiary Education, Skills and Employment

35. As the scholarship subsidy paid to MET is funded from Vote Tertiary, we recommend that you share this report with Minister Joyce.