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## Tertiary education institutions: 2021 audit results and what we saw in 2022



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# Tertiary education institutions: 2021 audit results and what we saw in 2022

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# Auditor-General's overview

E ngā mana, e ngā reo, e ngā karangarangatanga maha o te motu, tēnā koutou.

Tertiary education is important to many New Zealanders' personal development and the country's economic well-being. Young people, their whānau, adults looking to retrain or learn a new skill, and employers rely on the quality and stability of tertiary education institutions (TEIs).

This report summarises the main findings from our 2021 audits of TEIs. We also comment on the progress of the vocational education reforms.

The Covid-19 pandemic continues to affect the tertiary education sector. In particular, the border closures have fundamentally changed the pattern of domestic and international enrolments. This has affected TEIs' service delivery models and, consequently, their financial results and forecasts.

The educational quality and financial strength of TEIs is critical because they will play an important role in New Zealand's recovery from the impacts of the Covid-19 pandemic, and in positioning the country for future success.

In late 2020, the total number of learners enrolled in tertiary and vocational education increased due in part to the Government's Covid-19 response initiatives. This included fees-free training schemes such as the Targeted Training and Apprenticeship Fund. The increase in enrolments continued in 2021. However, as at August 2022, the total number of equivalent full-time students (EFTS) across all TEIs had decreased by almost 10% compared with the previous year. This will likely affect the financial performance of some TEIs in 2022 and in future years.

The financial resilience of TEIs is critical to maintaining high-quality educational outcomes. Although TEIs might be able to absorb short-term revenue reductions, it is important that their medium- to long-term forecasts take account of further uncertainty and disruptions to the learning environment. TEIs are progressively consolidating and rationalising functions in an effort to create structures that more closely align with the needs of learners and communities and ensure that they are better placed to deal with financial, and other, challenges.

## **The vocational education reforms**

In 2018, the Government spoke with learners, trainees, industry representatives, Māori, iwi, Pasifika, and disabled people about building the "world's best education system for all our children and young people". One of the outcomes from these conversations was to reform vocational education.

The reforms of vocational education and training are intended to create a unified and sustainable system that is fit for the future of work and delivers the skills that learners and employers need.

The Government stated that a unified vocational education system needs to:

- take account of the unique needs of all learners, including those who have been traditionally under-served, such as Māori, Pasifika, and disabled learners;
- be relevant to employers' changing needs;
- be collaborative, innovative, and sustainable for all regions; and
- uphold and improve Māori-Crown partnerships.

The Minister of Education set clear medium-term expectations for those responsible for leading, governing, and implementing the most significant reforms of the education system in almost three decades. These expectations included creating a sustainable, national network of regionally accessible vocational education and training that is responsive to the needs of New Zealanders. An important part of the reforms was the creation of Te Pūkenga, which began operating on 1 April 2020.

I acknowledge the significance and complexity of the vocational education reforms and the considerable amount of work that has been completed so far to implement them. This includes establishing the Workforce Development Councils and Regional Skills Leadership Groups, transitioning the arranging training functions of all 11 Transitional Industry Training Organisations to Te Pūkenga or private training establishments, and developing and implementing a new funding system for vocational training (the Unified Funding System).

However, I am concerned that critical parts of the Te Pūkenga transformation programme have not progressed as far as they should have.

In my April 2022 report on the tertiary education sector, I noted my concerns about the lack of progress Te Pūkenga had made on finalising its operating model, preparing a credible plan for financial sustainability, and developing a robust performance and accountability framework.

Te Pūkenga has now made decisions on its leadership structure, which is an important milestone. However, it needs to do considerable work to complete its operating model. The operating model needs to clearly set out what it does, how it does it, and what assets, infrastructure, and capabilities it needs. Current plans suggest that the operating model will not be fully implemented until sometime between 2027 and 2033. Although I acknowledge the scale and complexity of

change required, I remain concerned by the time frame for this work. It is easy to lose sight of the benefits of reforms if the process takes too long or is not clear.

Te Pūkenga also needs a clear and achievable plan for it to be financially sustainable. I understand this plan has yet to be finalised.

In order to deliver its purpose, Te Pūkenga needs to deliver on its current commitments and provide services that contribute to improved outcomes, while maintaining the trust and confidence of the public. Financial sustainability is critical to this.

By now, I expected Te Pūkenga to be clear on the outcomes it was looking to achieve and by when. I also expected the measures it uses to assess progress against those outcomes to be in place and publicly reported on. This work is still incomplete, so it is difficult to objectively gauge what progress Te Pūkenga has made.

The ability of Te Pūkenga to measure and report on its progress is essential to public trust and confidence in the organisation and the vocational education reforms.

New Zealanders rightly expect large and costly reform programmes to achieve their intended outcomes. For the vocational education reforms, the outcome is a unified and sustainable system that is fit for the future of work and delivers the skills that learners and employers need.

Te Pūkenga sits within a broader system where other public organisations, most notably the Ministry of Education and the Tertiary Education Commission, also have responsibilities for implementing the reforms.

The scale and complexity of the reforms have led to tensions during the change process. I have seen reference to this in an independent review of the Te Pūkenga transformation programme carried out in early 2022.

In my view, there are inherent tensions in the Crown entity monitoring system. These tensions are not always easy to manage. Monitoring arrangements work best when responsible Ministers, monitoring departments, and Crown entities are clear about their respective roles and responsibilities and there is a willingness to openly share information. There also needs to be effective communication, engagement, and a shared understanding between all parties about what good performance looks like.

The vocational education reforms are a significant transformation of the tertiary education sector. I acknowledge the work that has been done so far. However, there is much still to do, and it will require an ongoing focus from all public organisations involved.



I will continue to monitor the implementation of the vocational education reforms, including progress made by Te Pūkenga.

I thank those in the tertiary education sector who assisted in the preparation of this report and the auditors who continue to deliver quality work in a challenging environment.

Nāku noa, nā

A handwritten signature in black ink, appearing to read 'JMRyan', with a stylized flourish at the end.

John Ryan  
Controller and Auditor-General | Tumuaki o te Mana Arotake

20 March 2023

# Tertiary education sector at a glance

## Universities

Section 268 of the Education and Training Act 2020 states that a university is “characterised by a wide diversity of teaching and research ... develops intellectual independence, and promotes community learning”. The eight universities are:

- University of Auckland;
- Massey University;
- University of Canterbury;
- Lincoln University;
- University of Otago;
- Victoria University of Wellington;
- University of Waikato; and
- Auckland University of Technology.

## Wānanga

Section 268 of the Education and Training Act 2020 states that a wānanga is “characterised by teaching and research that ... assists the application of knowledge regarding ahuatanga Māori (Māori tradition) according to tikanga Māori (Māori custom)”. The three wānanga are:

- Te Wānanga o Raukawa;
- Te Wānanga o Aotearoa Te Kuratini o Ngā Waka; and
- Te Whare Wānanga o Awanuiārangi.

## Te Pūkenga

On 1 April 2020, the Government created a new tertiary education institution: Te Pūkenga – New Zealand Institute of Skills and Technology. The 16 institutes of technology and polytechnics became Crown entity subsidiary companies of Te Pūkenga and Industry Training Organisations became Transitional Industry Training Organisations. In 2021, Te Pūkenga also established a subsidiary focused on work-based learning: Te Pūkenga – Work Based Learning Limited.

On 1 November 2022, all 16 Crown entity subsidiary companies had been disestablished and become business divisions of Te Pūkenga. Te Pūkenga – Work Based Learning Limited also transitioned into Te Pūkenga on 31 December 2022.

# Tertiary education institutions' main campus or headquarters

As at 31 December 2021



# Tertiary education institutions’ financial summaries for 2021

The graphs and tables in this section provide a snapshot of how tertiary education institutions (TEIs) performed financially in 2021. They also provide financial and enrolment trend data since 2017.

To get a complete picture of how TEIs are performing, it is important to understand their operating context in 2020, 2021, and 2022 and the impact the Covid-19 pandemic has had on their financial position and enrolments.

We have drawn on our audited financial and enrolment data up to 2021 for Parts 5-8 of this report, and August 2019-2022 enrolment data for this section, which has been provided to us by the Tertiary Education Commission. The Tertiary Education Commission also provided us the non-recovery provision amounts.

In 2020, the Government decided not to recover funding from tertiary education providers that under-delivered courses based on volume, because of the effects of the Covid-19 pandemic. Given the reduced number of domestic and international enrolments in 2020, this provided a “buffer” against a worsening financial position for TEIs.

In its annual report for the year ended 30 June 2022, the Tertiary Education Commission noted that closed borders and continued impacts of the Covid-19 pandemic in 2021 meant that the tertiary education sector experienced reduced demand in 2022. TEIs are experiencing pressure due to reduced enrolments and ongoing waves of illness.

## **Te Pūkenga**

In 2020, almost \$57 million was not recovered from Te Pūkenga due to the non-recovery provisions. In August 2022, the number of equivalent full-time students (EFTS) had decreased by more than 17% from August 2021.

## **Wānanga**

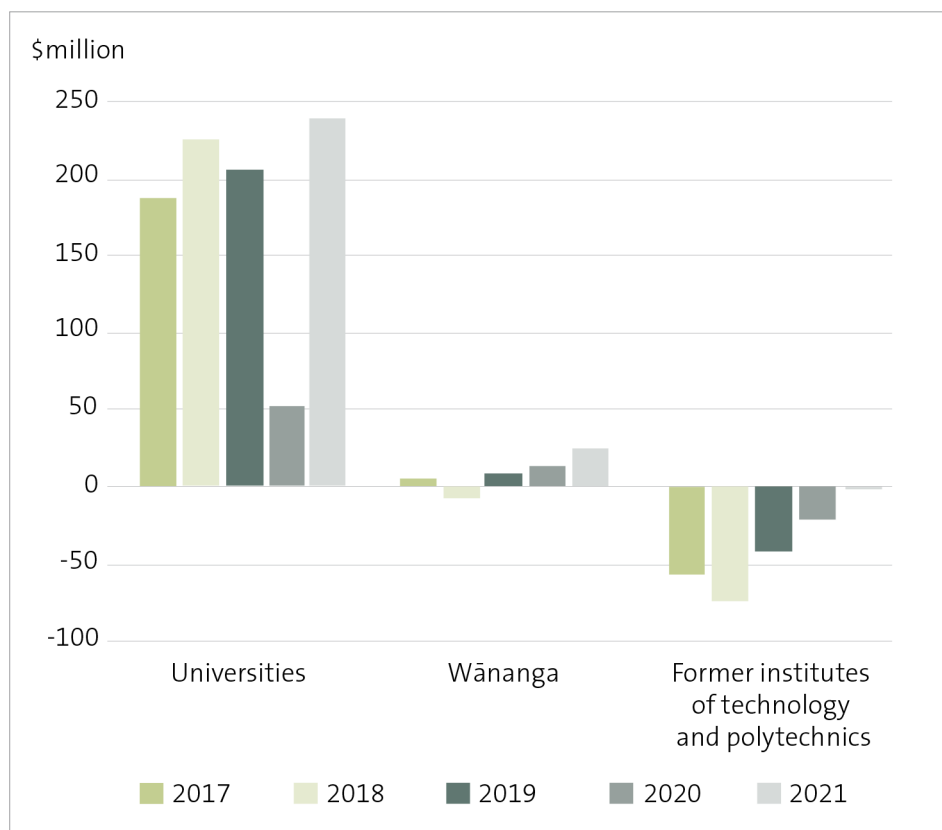
Wānanga ended 2021 and the two previous years in a positive financial position. We also note that Te Wānanga o Raukawa and Te Whare Wānanga o Awanuiārangi received one-off payments from the Government in 2020 and 2021, contributing to their year-end position. These one-off payments were made in recognition of historical underfunding of wānanga research. Between 2019 and 2020, total wānanga enrolments decreased from 22,155 EFTS to 17,840 EFTS. In 2020, \$33.8 million was not recovered from wānanga due to the non-recovery provisions.

## Universities

Universities were also affected by the Covid-19 pandemic, and a total of \$14.8 million was not recovered from universities in 2020 due to the non-recovery provisions. As at August 2022, total enrolments across the universities for the year were 134,235 EFTS compared with 142,760 as at August 2021. The August 2020 and 2019 total EFTS were 138,135 and 138,595 respectively.

As at August 2022, total enrolments across all TEIs was 208,620 EFTS compared with 232,480 EFTS in August 2021. This reflects a more than 10% decrease overall.

### Group surpluses and deficits, by type of tertiary education institution, 2017 to 2021



Note: In order to show consistent comparisons across years, the 2020 and 2021 data shown for the former institutes of technology and polytechnics is not from the Te Pūkenga group results, but instead from the annual reports of the former institutes of technology and polytechnics, where available.

## Total revenue, total assets, and total liabilities for 2021

|   |  |
|---|--|
| <p><b>Total revenue</b><br/><b>\$5.7 billion</b><br/>up from \$5.5 billion in 2020.</p>  | <p><b>Total assets</b><br/><b>\$18.4 billion</b><br/>up from \$16.6 billion in 2020.</p> <p><b>Total liabilities</b><br/><b>\$2.5 billion</b><br/>down from \$2.6 billion in 2020.</p> |
|---|--|

Equivalent Full-time Students and Standard Training Measures<sup>1</sup> numbers, 2017 to 2021

## Domestic students

| Tertiary Education Institution                           | 2017           | 2018           | 2019           | 2020           | 2021                         |
|--|----------------|----------------|----------------|----------------|------------------------------|
| Universities   | 115,930        | 117,100        | 117,550        | 119,355        | 126,895                      |
| Wānanga  | 24,860         | 23,920         | 22,140         | 17,830         | 21,055                       |
| Institutes of technology and polytechnics/<br>Te Pūkenga | 63,275         | 61,235         | 58,075         | 54,976         | EFTS: 66,414<br>STMs: 21,352 |
| <b>Total</b>   | <b>204,065</b> | <b>202,255</b> | <b>197,765</b> | <b>192,161</b> | <b>235,716</b>               |

## International students

| Tertiary Education Institution                       | 2017          | 2018          | 2019          | 2020          | 2021          |
|--|---------------|---------------|---------------|---------------|---------------|
| Universities   | 17,205        | 18,780        | 21,040        | 18,780        | 15,865        |
| Wānanga  | 15            | 15            | 15            | 10            | 5             |
| Institutes of technology and polytechnics/Te Pūkenga | 12,605        | 11,705        | 10,870        | 9,297         | 4,475         |
| <b>Total</b>   | <b>29,825</b> | <b>30,500</b> | <b>31,925</b> | <b>28,087</b> | <b>20,345</b> |

## Total students

|               | 2017           | 2018           | 2019           | 2020           | 2021           |
|---------------|----------------|----------------|----------------|----------------|----------------|
| Domestic      | 204,065        | 202,255        | 197,765        | 192,161        | 235,716        |
| International | 29,825         | 30,500         | 31,925         | 28,087         | 20,345         |
| <b>Total</b>  | <b>233,890</b> | <b>232,755</b> | <b>229,690</b> | <b>220,248</b> | <b>256,061</b> |

<sup>1</sup> The term Standard Training Measure refers to learners in work-based learning environments as opposed to learners in provider-based learning environments such as universities and wānanga.

# Audit results at a glance

**28 tertiary education institutions audited**

**24 reported on time**



**25 received unmodified audit opinions**

## Top 4 types of recommendations

- 1 – improving controls related to expenditure;
- 2 – improving the process to value assets, and maintaining fixed asset registers;
- 3 – improving the effectiveness and application of policies; and
- 4 – improving controls related to information systems and data management.



## “Emphasis of matter” paragraphs

An emphasis of matter paragraph is used to draw attention to something that’s important to how the reader understands what’s in the audited parts of an entity’s annual report.

We used emphasis of matter paragraphs in the audit reports of the 16 Te Pūkenga subsidiaries that were formerly institutes of technology and polytechnics. We did so to emphasise that they would continue until 31 December 2022 at the latest, at which point they would be fully integrated into Te Pūkenga.

# 1

## Introduction

- 1.1 In 2021/22, the Government invested more than \$4 billion in tertiary education<sup>2</sup> to fund:
  - eight universities;
  - three wānanga;
  - Te Pūkenga – New Zealand Institute of Skills and Technology (Te Pūkenga) and its Crown entity subsidiary companies (the subsidiaries);
  - Transitional Industry Training Organisations; and
  - more than 700 public and private organisations providing tertiary education.
- 1.2 This report discusses the results of our 2021 audits of tertiary education institutions (TEIs). Our audits give Parliament and the public assurance about whether public organisations are appropriately reporting on how they spend public money and on the services delivered with that money.
- 1.3 In Part 2, we discuss the purpose and origins of the reforms of vocational education and training, what they are designed to achieve, and the leadership and governance of the reform process.
- 1.4 In Part 3, we discuss whether the concerns raised in our previous report about Te Pūkenga have been addressed. We also discuss recent external reviews of Te Pūkenga, delays in its transformation programme, and the complexities of Crown entity monitoring.
- 1.5 In Part 4, we discuss disparities in the tertiary education sector.
- 1.6 In Part 5, we provide a summary of the results of the 2021 audits of TEIs.
- 1.7 In Parts 6 to 8, we provide a summary of financial results and enrolments for universities, wānanga, and Te Pūkenga and its subsidiaries.



# The reforms of vocational education and training

# 2

- 2.1 In this Part, we discuss the reforms of vocational education and training (the reforms), including what they set out to achieve and expectations and leadership.
- 2.2 After the Education (Vocational Education and Training Reform) Amendment Act was passed in early 2020, the Minister of Education noted that:
- ... [the law change formalised] *the process of creating a strong, unified, sustainable system to set us up to respond to skills shortages and prepare for the future of work.*<sup>3</sup>
- 2.3 The Minister also noted that the country has faced serious skills shortages across many industries for many years, and that the changes to vocational education and training would bring together all parts of the system for the first time in 30 years.
- 2.4 The reforms envisage the creation of a unified vocational education system that will:
- meet the unique needs of all learners, including those who have been traditionally under-served, such as Māori, Pasifika, and disabled people;
  - be relevant to the changing needs of employers;
  - be collaborative, innovative, and sustainable for all regions; and
  - uphold and enhance Māori-Crown partnerships.
- 2.5 The reforms have made several important changes, including:
- establishing Workforce Development Councils, which are six industry-led bodies that will give the industry greater leadership across vocational education;
  - establishing Regional Skills Leadership Groups, which provide advice to the Tertiary Education Commission (TEC), Workforce Development Councils, and local vocational education providers about the skill needs in their regions;
  - establishing Taumata Aronui, which will help ensure that the reforms reflect the Government’s commitment to Māori-Crown partnerships;
  - establishing Te Pūkenga, which is a sustainable, public network of regionally accessible vocational education that brought together the former 16 institutes of technology and polytechnics;
  - shifting the role of supporting workplace learning from industry training organisations to providers – Te Pūkenga and other providers will support workplace-based, on-the-job training and deliver education and training in provider-based, off-the-job settings to achieve seamless integration between the settings and be well connected with the needs of industry;
  - establishing Centres of Vocational Excellence, which will bring together Te Pūkenga, other providers, Workforce Development Councils, industry experts, and leading researchers to grow excellent vocational education provision and share high-quality curriculum and programme design across the system; and

3 Media release (2020), “New era for vocational education” at [beehive.govt.nz](https://www.beehive.govt.nz).

- unifying the vocational education funding system, which will affect all provider-based and work-integrated education at certificate and diploma qualification levels 3 to 7 (excluding degree study) and all industry training.

## Progress to date

- 2.6 We acknowledge the considerable amount of significant work that has been done so far. The establishment of Te Pūkenga, in particular, saw the creation of the country’s largest tertiary education provider and the 35th largest provider of vocational education in the world.<sup>4</sup> In 2021, Te Pūkenga had more than 200,000 learners, across 234 unique delivery sites and more than 8000 full-time equivalent employees.<sup>5</sup>
- 2.7 Figure 1 provides a brief summary of what has been achieved as part of the reforms since April 2022, when we last reported on progress. Figure 2 provides a summary of what has been achieved as part of the reforms between April 2022 and January 2023.

**Figure 1**  
Progress of the reforms up to April 2022

| Te Pūkenga  | Broader reform programme   |
|---|--|
| <p>Establishment of:</p> <ul style="list-style-type: none"> <li>• Te Pūkenga and its subsidiary companies; and</li> <li>• an additional subsidiary of Te Pūkenga focused on work based learning (Te Pūkenga – Work Based Learning Limited). Its role is to help move the Transitional Industry Training Organisations (those that opt to do so) to Te Pūkenga.</li> </ul> <p>Four Transitional Industry Training Organisations moved to Te Pūkenga and one became a private training establishment.</p> | <p>Establishment of:</p> <ul style="list-style-type: none"> <li>• 15 Regional Skills Leadership Groups;</li> <li>• Taumata Aronui, an advisory group formed to ensure that the tertiary education system reflects the Government’s commitment to Māori–Crown partnerships;</li> <li>• six Workforce Development Councils; and</li> <li>• two Centres of Vocational Excellence.</li> </ul> <p>In addition:</p> <ul style="list-style-type: none"> <li>• the design of the unified funding system was approved; and</li> <li>• the qualifications and standard setting functions of 11 Transitional Industry Training Organisations were moved to Workforce Development Councils.</li> </ul> |

4 Te Pūkenga (2020), 2020: *Te Pūrongo ā-Tau Annual Report*, page 8, at tepukenga.ac.nz.

5 Te Pūkenga (2021), 2021: *Te Pūrongo ā-Tau Annual Report*, page 5, at tepukenga.ac.nz.

**Figure 2**  
**Progress of the reforms between April 2022 and January 2023**

| Te Pūkenga  | Broader reform programme   |
|---|--|
| <ul style="list-style-type: none"> <li>• A further five Transitional Industry Training Organisations moved to Te Pūkenga, and an additional one has remained in private ownership – 85% of work-based training is now managed within Te Pūkenga.</li> <li>• A \$40m capital investment in Te Pūkenga (over two years) for high priority buildings was announced as part of Budget 2022.</li> <li>• Te Pūkenga released the outcome of a strategic review.</li> <li>• Te Pūkenga confirmed its high-level business group structure.</li> <li>• Transition of Crown entity subsidiaries into Te Pūkenga, as business divisions.</li> <li>• Transition of Te Pūkenga – Work Based Learning Limited into Te Pūkenga.</li> <li>• Appointment of a permanent Chief Executive and new executive team.</li> </ul> | <ul style="list-style-type: none"> <li>• As part of the unified funding system, Tertiary Education Organisations (public and private) received funding allocations for 2023.</li> <li>• Taumata Aronui released its first report – <i>Manu Kōkiri – Māori Success and Tertiary Education: Towards a Comprehensive Vision</i>.</li> <li>• The Regional Skills Leadership Groups began publicly releasing their regional workforce plans for current and future workforce skills development.</li> <li>• The Workforce Development Councils produced their inaugural workforce development plans and provided advice to TEC to inform investment priorities for 2023.</li> <li>• First funding round for the Private Training Establishment Strategic Fund was run.*</li> <li>• Commencement of the Unified Funding System from 1 January 2023.</li> <li>• The arranging training functions of all eleven Transitional Industry Training Organisations was completed three months before the 31 December 2022 legislative deadline. The arranging training responsibilities now reside with training providers (Te Pūkenga or private training establishments).</li> </ul> |

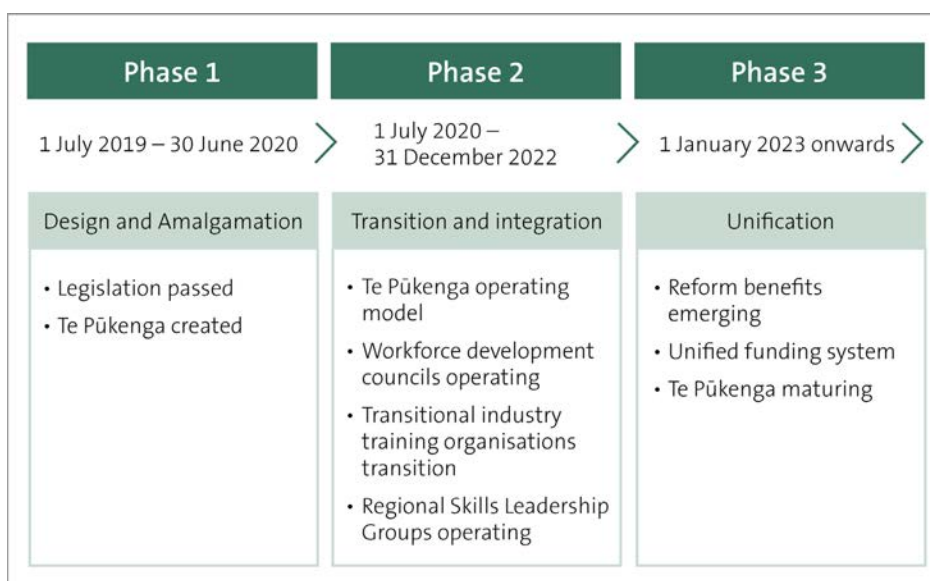
\* This is a key part of the strategic component of the unified funding system. It allows private training establishments to seek funding to progress strategic priorities that respond to identified national and regional skills needs, and support programme development and maintenance.

## Leadership and governance of the reforms

- 2.8 TEC is responsible for leading the reforms in collaboration with other agencies, including the Ministry of Education, New Zealand Qualifications Authority, and the Ministry of Business, Innovation and Employment.
- 2.9 TEC's 2019/20-2022/23 Statement of Intent also notes that one of its priorities is "implementing the outcomes of the Reform of Vocational Education" to achieve the strategic goal of "building provider capability and monitoring performance". In its 2022/23 Statement of Intent, one of TEC's three strategic priorities is to "unify the vocational education and training system".
- 2.10 The Ministry of Education leads the policy and regulatory strands of the reforms and works closely with TEC to carry out its respective responsibilities.
- 2.11 One of the key changes of the reforms was the establishment of Te Pūkenga. The Te Pūkenga Council is accountable for the performance of Te Pūkenga and the delivery of its part of the reforms.
- 2.12 Established through the Education and Training Act 2020, Te Pūkenga is legislatively required through its Charter to:
- be responsive to the needs of regions throughout New Zealand;
  - operate in a way that allows it to empower learners and staff;
  - develop meaningful partnerships;
  - develop and provide vocational education and training;
  - reflect Māori-Crown partnerships;
  - hold inclusivity and equity as core principles;
  - meet the needs of all its learners, in particular those who are under-served by the education system;
  - promote equitable access;
  - have culturally responsive delivery approaches; and
  - work collaboratively with schools, wānanga, and other tertiary education organisations.
- 2.13 In April 2020, shortly after Te Pūkenga was established, the Minister of Education wrote to the chairperson of the Te Pūkenga Council outlining his expectations. These expectations include "striking the right balance" between delivering transformative change, core business, and being accountable to all stakeholders.

- 2.14 In 2019, TEC’s chief executive (who is the programme sponsor of the reforms) established the Reform of Vocational Education Programme Board (the RoVE Board) to govern the reforms. The RoVE Board comprises leaders from TEC, Te Pūkenga, the Ministry of Education, the New Zealand Qualifications Authority, Taumata Aronui (joined in October 2022), the chairperson of TEC’s Audit and Risk Committee, and two independent members.
- 2.15 Figure 3 shows the three-phase change approach the reforms have adopted to implement the reform’s structural changes.

**Figure 3**  
Phases of the vocational education reforms



Source: Adapted from a graphic by the Tertiary Education Commission.

- 2.16 The RoVE Board’s primary focus, as noted in its terms of reference, is to deliver the reforms’ expected outcomes and benefits.
- 2.17 The terms of reference also note that, in relation to structural changes, the RoVE Board:
- ... will be the home for governance and control – such as quality standards, approvals, budget monitoring, risk and issue management, schedule management, and change control.*
- 2.18 The terms of reference also state that the RoVE Board will:
- ... [o]versee the overall success of the programme, noting that the New Zealand Institute of Skills and Technology [Te Pūkenga] Council holds accountability for*

*the New Zealand Institute of Skills and Technology transformation work (which will continue to report into the overall programme).*

- 2.19 In his 2020 Letter of Expectations to the chairperson of the Te Pūkenga Council, the Minister of Education noted his expectation that Te Pūkenga keep the RoVE Board informed of progress and ensure alignment in the design of major deliverables. The Minister also expected the RoVE Programme Director to work with Te Pūkenga on an integrated transformation “road map” for the reforms that maps out several years.
- 2.20 Alongside its partners, TEC helped develop an integrated plan for the overall reform programme along with a set of associated outcomes. The integrated plan included disestablishing the subsidiaries of Te Pūkenga by 31 December 2022 and transitioning them into Te Pūkenga, and establishing the Te Pūkenga Executive Leadership Team in December 2022. The plan will end in June 2023 because the RoVE Board will be disestablished at that point. We understand that the RoVE Board is currently considering arrangements to ensure ongoing stewardship of the vocational education sector, including a focus on progress toward achieving the reforms’ agreed outcomes.

## Te Pūkenga

- 3.1 In this Part, we discuss whether concerns we have raised previously about Te Pūkenga<sup>6</sup> have been addressed. We also discuss findings from recent external reviews of Te Pūkenga, its transformation programme, and the complexities of Crown entity monitoring.

### Concerns raised in our previous report

#### Operating model

- 3.2 The Minister of Education wrote a Letter of Expectations to the chairperson of the Te Pūkenga Council in 2020. The letter refers to the long-term operating model of Te Pūkenga as a “cornerstone of the reform” to:

*... create a sustainable, national network of regionally accessible vocational education and training, which is responsive to the needs of all regions of New Zealand, their learners, industries, employers and communities.*

- 3.3 The Letter of Expectations did not specify a time frame for finalising the operating model. However, the letter did specify that the “aim is to create an integrated network of provision by the end of the transition period, December 2022”.

- 3.4 Because of its central role in the reforms, Te Pūkenga needs to be clear about what its operating model does, how it does it, and what assets, infrastructure, finances, and capabilities it needs.<sup>7</sup> This includes clarity about staff structure.

- 3.5 Te Pūkenga released its original proposed high-level operating model in October 2021. In July 2022, Te Pūkenga “reset” its priorities. The reset delayed the planned consultation on its new staff structure as it sought to prepare a simplified operating model, address financial sustainability concerns, and reduce any risks with transitioning the subsidiaries into Te Pūkenga.

- 3.6 On 15 August 2022, Te Pūkenga began a three-week engagement process with its staff seeking feedback on a proposed leadership structure and proposed business groups. In early October 2022, final decisions were made, and all but two newly established executive management positions were filled by the end of December 2022.

- 3.7 In June 2022, before the “reset” of Te Pūkenga, TEC noted in one of its monitoring reports that:

*... overall, the recent changes have put the implementation of the operating model further behind schedule, although we consider the new transition plan is more sensible. However, there remains a considerable amount of work to undertake in a short period of time.*

<sup>6</sup> Office of the Auditor-General (2022), *Tertiary education institutions: What we saw in 2021*, at oag.parliament.nz.

<sup>7</sup> Office of the Auditor-General (2022), *Tertiary education institutions: What we saw in 2021*, at oag.parliament.nz.

- 3.8 In mid-August 2022, the Tertiary Education Union also raised concerns that many staff will not have clarity about jobs until the end of 2023.
- 3.9 We understand that Te Pūkenga is prioritising work on its operating model, including finalising its leadership structure and business groups. However, we are concerned about when the operating model will be finalised and fully implemented.
- 3.10 The website for Te Pūkenga lists what it intends to deliver from 1 January 2023. This includes parts of its operating model that are related to its organisational structure, governance and corporate functions, leadership team, regional branches, and ako networks.<sup>8</sup> The ako networks are formal networks of teams that come together to use their knowledge, skills, and competencies to support delivery of vocational and on-the-job learning, including for degree and post-graduate programmes.<sup>9</sup>
- 3.11 We understand that some activities were not achieved by 1 January 2023 because of the reset of Te Pūkenga in mid-2022.<sup>10</sup>
- 3.12 Te Pūkenga has completed some aspects of its operating model, including its leadership structure and unification of some of its qualifications and programmes.
- 3.13 Te Pūkenga intends to finalise the remainder of its operating model over two periods: January 2026 to January 2027 (Horizon 2) and 2027-2033 (Horizon 3).<sup>11</sup>
- 3.14 We note that between 2027-2033, the intention is that:  
*... the new organisation [will be] fully implemented. Delivery of programmes and services [will be] fully integrated. All programmes [will be] unified and relevant to the future needs of learners, whānau, communities, Māori, and employers, and the future of work.*
- 3.15 Te Pūkenga is using a staged approach because the change required is significant, and it will take time to fully integrate the functions of the disparate organisations into one. However, there is also a need to provide certainty about the process, including the outcomes that will be delivered through the transformation and when the outcomes will be achieved.
- 3.16 Te Pūkenga needs to define the benefits that will be delivered at each Horizon. We expect to see performance measures associated with these benefits at each stage.

8 See “Minimum viable product for 1 January 2023”, at [tepukenka.ac.nz](http://tepukenka.ac.nz).

9 See “Operating Model FAQs”, at [tepukenka.ac.nz](http://tepukenka.ac.nz).

10 See written question “45629 (2022). Penny Simmonds to the Minister of Education”, at [parliament.nz](http://parliament.nz).

11 See “Ko tāu e kite ai – What can you expect”, at [tepukenka.ac.nz](http://tepukenka.ac.nz).



- 3.17 In our 2020 report on the business transformation of the Inland Revenue Department,<sup>12</sup> we noted that Inland Revenue was well positioned to continue managing, measuring, and monitoring the transformation programme's intended benefits. This was because it placed a strong focus on benefits management from the beginning (which included generating reliable baseline data and supporting information) and demonstrated a commitment to learning and continuous improvement about benefits realisation and management.
- 3.18 We also noted that delivering outcomes depends on systematically monitoring and tracking benefits for a programme's duration. Establishing benefit targets at the beginning and measuring progress against them only at the end is unlikely to be effective.
- 3.19 The lack of a final operating model means Te Pūkenga still cannot describe with certainty what it does, what it will do, how it will do it, and what assets, infrastructure, finances, and capabilities it needs. Clear and meaningful performance information and reporting is also crucial for public accountability and to help improve effectiveness and efficiency.

### Performance framework

- 3.20 Te Pūkenga needs a robust performance and accountability framework so that TEC, the Minister of Education, Parliament, and the public can see whether it is delivering on its outcomes. This framework needs to be transparent about:
- what outcomes it is seeking;
  - how it will measure and report on progress towards those outcomes;
  - the degree to which Te Pūkenga has met its performance targets; and
  - how Te Pūkenga is planning to improve on its performance over time.
- 3.21 In August 2022, we raised concerns about the performance reporting of Te Pūkenga in a briefing to the Education and Workforce Committee. In response, the Committee noted in its final report that it would like to see Te Pūkenga implement the recommendations we have made, including to improve its performance framework. Effective performance reporting is essential to building and maintaining the trust and confidence of Parliament and the public in Te Pūkenga and the reforms.
- 3.22 Meaningful performance measures are important to assessing whether the reforms are achieving the Government's intended outcomes. To be effective with communities, it is important to understand what needs to be measured and how that is reported. To prepare effective measures and reporting systems at this level, stakeholder engagement is critical.

<sup>12</sup> Office of the Auditor-General (2020), *Inland Revenue Department: Benefits management for the Business Transformation programme*, at [oag.parliament.nz](https://oag.parliament.nz).

- 3.23 The Te Pūkenga Charter is focused on Te Pūkenga being publicly accountable. The Letter of Expectations from the Minister of Education also states that Te Pūkenga will be accountable to all its stakeholders through various mechanisms, such as the Statement of Intent, Statement of Performance Expectations, and the TEC Investment Plan.
- 3.24 Te Pūkenga did not have a Statement of Intent or Statement of Performance Expectations for 2020. These documents are important for establishing key areas of focus, priorities, and the basis for year-end performance reporting. In February 2021, Te Pūkenga produced a Transitional Statement of Intent that covers 2021-2024.
- 3.25 Our 2021 audit of Te Pūkenga concluded that its performance reporting met the basic standard required, given the transformation programme underway. We made recommendations to Te Pūkenga about how it could improve its performance reporting.
- 3.26 In 2022, the External Reporting Board brought into effect a new accounting standard for public benefit entities' service performance reporting (PBE FRS 48). The standard applies to Tier 1 and Tier 2<sup>13</sup> public benefit entities for reporting periods beginning on or after 1 January 2022. The standard sets out principles, requirements, and guidance that public organisations must comply with as part of their performance reporting.
- 3.27 The new standard presents an opportunity for public organisations, like Te Pūkenga, to improve their performance reporting within the context of current system settings and to report on how they are making a difference in a way that is meaningful to Parliament and the public.
- 3.28 We expect public organisations to improve their performance reporting so that it better reflects their performance. Public organisations will need to carefully consider how to apply the standard. They should read the good practice guidance on performance reporting that we prepared with the Treasury.<sup>14</sup>
- 3.29 In response to questions from the Education and Workforce Committee in August 2022, the Acting Chief Executive of Te Pūkenga noted that:
- ... the Te Pūkenga Outcomes and Performance measurement framework will be in place in time for informing performance and the data that Te Pūkenga will collect across the network from the start of 2023.*
- 3.30 Although a commitment has been made to start reporting against an outcomes framework from 1 January 2023, we have yet to see the final outcomes framework and associated performance measures. We understand that in December 2022,

<sup>13</sup> See [xrb.govt.nz](http://xrb.govt.nz).

<sup>14</sup> See "Good practice in reporting about performance", at [oag.parliament.nz](http://oag.parliament.nz).

Te Pūkenga finalised its Statement of Performance Expectations for 2023 and is in the process of publishing it on its website.

- 3.31 As well as a high-level outcomes framework, it is important that Te Pūkenga has performance measures and targets that show how it is making progress towards achieving its outcomes. This includes having specific time frames for outcomes to be delivered in.
- 3.32 Successfully achieving outcomes depends on systematically monitoring and tracking benefits over time. Outcomes will often change over time and therefore regular measurement and reassessment of results and approaches is critical to ensuring that benefits are being achieved.
- 3.33 The new accounting standard for public benefit entities' service performance reporting (PBE FRS 48) requires the Te Pūkenga Council to ensure that meaningful and comprehensive performance measures and targets are in place and regularly publicly reported. This should enable an informed assessment of the performance of Te Pūkenga.

### Financial sustainability

- 3.34 We have previously noted our concerns about how Te Pūkenga lacks a detailed plan to address its underlying financial issues<sup>15</sup> and the need for a sustainable financial plan.
- 3.35 In early 2021, TEC noted concerns in its monitoring reports about the lack of a financial sustainability plan. It remains unclear why the Te Pūkenga Council did not prioritise this work earlier. In its March 2021 monitoring report, TEC notes that:

*... [t]he quarterly report shows that Te Pūkenga is very busy and there is significant activity occurring across all of its key work streams. However, it does not provide a coherent story on why these are the right activities to be doing, how they fit into a wider plan, and whether this will achieve the sought outcomes in the required timelines.*
- 3.36 The Te Pūkenga “reset” in July 2022 meant that it was focused on the activities Te Pūkenga considered critical – including producing a financial sustainability plan.
- 3.37 Based on data for the year to May 2022, Te Pūkenga had forecast an \$89.6 million deficit for 2022. In August 2022, the acting Chief Executive of Te Pūkenga provided an updated year-end forecast deficit of \$63.6 million. The final deficit for 2022 will not be known until the audit concludes. However, we do know that there has been a 17% reduction in enrolments at Te Pūkenga between August 2021 and August

<sup>15</sup> Office of the Auditor-General (2021), *Tertiary education institutions: Main findings from our 2020 audits*, at oag.parliament.nz.

2022. This will likely affect the deficit for the year and the year-end financial position of Te Pūkenga at 31 December 2022.

- 3.38 There are other challenges Te Pūkenga has to manage that will also affect its financial position, including:
- the risk of a further decrease in domestic provider-based enrolments<sup>16</sup> as unemployment remains low;
  - the risk of apprenticeship numbers decreasing as the Apprenticeship Boost policy finishes at the end of 2023; and
  - having to fund head office operations from 2023 as Crown funding comes to an end.
- 3.39 In the annual review of Te Pūkenga by the Education and Workforce Committee, the acting Chief Executive of Te Pūkenga noted that a “Finance Strategy will outline the plan to improve long term financial sustainability and will be in place by the end of Quarter 3, 2022”. We understand that a financial strategy is being considered by the Te Pūkenga Council. It is critical that this strategy is finalised as soon as possible.
- 3.40 In 2021, Te Pūkenga began work on a Programme Business Case for the Government to consider. The Programme Business Case provided information about whether Te Pūkenga had sufficient capacity, capability, and funding to carry out its transformation programme. The Programme Business Case was sent to the Minister of Education on 31 October 2022 and was still under consideration at the time of writing this report.

## External reviews of Te Pūkenga

- 3.41 Two external reviews of Te Pūkenga had been completed in the beginning of 2022. Through large and complex transformations, reviews of this nature can be useful for identifying key issues and risks and are considered good practice.

### The governance review

- 3.42 At the end of 2021, the Te Pūkenga Council engaged Dame Karen Sewell and Belinda Clark to carry out an external review of its governance arrangements.<sup>17</sup> The governance review focused on the Te Pūkenga Council’s operational effectiveness, alignment with good practice, and whether its governance arrangements were fit for purpose.

<sup>16</sup> Provider-based enrolments are enrolments in campus-based learning.

<sup>17</sup> Clark, Belinda and Sewell, Karen (2022), *Governance Review of Te Pūkenga*, at [tepukenka.ac.nz](http://tepukenka.ac.nz).

- 3.43 The governance review noted that the Te Pūkenga Council:
- was spending too much time on operational matters instead of strategic issues;
  - was operating with no road map to follow; and
  - required greater experience in the state sector and in governing a large organisation going through a transformation.
- 3.44 Recommendations were also made, including establishing a new sub-committee of the Te Pūkenga Council that focused on:
- financial matters;
  - reviewing how often the Council meets;
  - improving the timeliness and quality of information provided to the Council;
  - ensuring that the Chief Executive provides a written report (instead of only a verbal report); and
  - increasing the amount of time the Council met in open session to enable public engagement.
- 3.45 A draft of the governance review report was provided to the Minister of Education in June 2022. We understand from TEC that Te Pūkenga has agreed to implement most of the recommendations.

### **The strategic review**

- 3.46 In February 2022, the chairperson of the Te Pūkenga Council and the Chief Executive of TEC jointly commissioned a strategic review of Te Pūkenga.
- 3.47 Murray Jack (chairperson), Sir Brian Roche, and Belinda Clark carried out the strategic review. It was a high-level assessment of the current status, strategic risks, and issues in the Te Pūkenga Transformation Programme and its alignment with the expectations of the Minister of Education. Its purpose was to provide advice to the Te Pūkenga Council and TEC on any practical measures that could improve the success of the transformation programme.
- 3.48 The strategic review report concluded that the Te Pūkenga transformation programme, as currently configured, would not meet the Minister of Education's expectations for 1 January 2023 unless there was a clear intervention of additional resources with an appropriate mandate.
- 3.49 The full strategic review document, which has the six key issues raised and seven practical measures recommended, is on the TEC and Te Pūkenga websites.
- 3.50 After receiving the strategic review report, Te Pūkenga began responding to the practical recommendations. We understand that TEC closely monitored and commented on the implementation of these recommendations.

## The Te Pūkenga transformation programme

### Context and recent progress

- 3.51 Te Pūkenga is the largest tertiary education provider in the country. It brought together 16 institutes of technology and polytechnics and the arranging training function<sup>18</sup> of nine industry training organisations.
- 3.52 It also brought together more than 10,000 staff across multiple delivery sites. A complex merger of this size also has the challenge of integrating multiple business systems, including management systems and finance, payroll, and human resource systems.
- 3.53 Te Pūkenga was also required to integrate three different business and delivery models across in-work (on the job), online, and on-campus face-to-face delivery. This was all occurring when the number of domestic enrolments in campus-based vocational education was decreasing, the number of international student enrolments had yet to recover from Covid-19 border restrictions, and many of the former institutes of technology and polytechnics were experiencing financial difficulty before they became a subsidiary of Te Pūkenga.
- 3.54 In July 2022, Te Pūkenga reset its transition and transformation work programme. This included focusing on appointing a new executive leadership team, dissolving its subsidiaries, and beginning 2023 as a single organisation.
- 3.55 We understand that a key focus for Te Pūkenga in 2023 will be providing their ākonga (learners) the choice to learn anywhere, anytime, and in any way using its knowledge, skills, and partnerships. Te Pūkenga will do this by integrating on-the-job, on-campus (face-to-face), and online delivery across the regions.
- 3.56 Integrating delivery will require Te Pūkenga to do considerable work to redefine roles across its workforce, including the roles of tutors, workplace advisors, workplace assessors, and those who support ākonga success. This will be critical to developing a learner-centred model that is flexible and dynamic.

### Work-based learning

- 3.57 A 2020 *Summary of Change Decisions* document for the reforms notes that how we work is changing significantly, and vocational education needs to adapt to stay ahead of these changes.<sup>19</sup>
- 3.58 Work-integrated learning will become an increasingly important part of the vocational education system. It gives people the opportunity to earn while

<sup>18</sup> This means working with industry and learners to develop training programmes that satisfy industry needs, signing employees up to work-based training, and providing support throughout the trainee journey.

<sup>19</sup> Kōrero Mātauranga (2019), *Summary of Change Decisions: Reform of Vocational Education*, at [conversation.education.govt.nz](https://conversation.education.govt.nz).

they learn and get an education that is more directly relevant to the changing needs of employers. To support this move towards work-integrated learning, the Government notes that there needs to be appropriate support available to learners, employers, and educators, a reliable high-quality assessment process, and delivery that is cost-effective.

- 3.59 Te Pūkenga is now responsible for most industry training in New Zealand. This is based on the fact that nine of the 11 Transitional Industry Training Organisations chose to move their arranging training functions to Te Pūkenga (the alternatives were private training establishments or a wānanga).
- 3.60 By 31 December 2021, four Transitional Industry Training Organisations had transferred their arranging training functions to Te Pūkenga. By 1 October 2022, a further five Transitional Industry Training Organisations completed the transition.<sup>20</sup>
- 3.61 At the end of 2021, the total number of EFTS enrolled at Te Pūkenga was 87,766. This included 21,352 learners who were transferred to Te Pūkenga from the four Transitional Industry Training Organisations in 2021.<sup>21</sup> Total enrolments in the previous institutes of technology and polytechnics from 2017 to 2021 can be seen in the tertiary education institutions' financial summaries at the beginning of this report.

### Leadership and monitoring

- 3.62 As previously mentioned, TEC is responsible for leading the reforms in collaboration with other agencies.
- 3.63 Section 405 of the Education and Training Act 2020 sets out TEC's obligations in relation to its monitoring function:
- ... the Chief Executive of TEC must, on an ongoing basis, monitor institutions that receive funding in order to assess whether the operation or long-term viability of any of those institutions is at risk; and may report to the Minister on the outcomes of that monitoring.*
- 3.64 In relation to Te Pūkenga, Section 406 of the Education and Training Act 2020 states that:
- (1) The chief executive of TEC may, by written notice to Te Pūkenga—New Zealand Institute of Skills and Technology's council, require it to provide any information that the chief executive considers is reasonably required in relation to the operation of Te Pūkenga—New Zealand Institute of Skills and*

20 The full list of Transitional Industry Training Organisation transitions is available from TEC. One of the Industry Training Organisations – The Skills Organisation – transferred only part of its arranging training function to Te Pūkenga.

21 Te Pūkenga (2021), 2021: Te Pūrongo ā-Tau Annual Report, page 27, at tepukenga.ac.nz.

*Technology or any related entity of Te Pūkenga—New Zealand Institute of Skills and Technology for the purpose of determining whether there is a risk to, or arising from,—*

*(a) the governance, management, or financial position of Te Pūkenga—New Zealand Institute of Skills and Technology or a related entity of Te Pūkenga—New Zealand Institute of Skills and Technology; or*

*(b) the education and training performance of students enrolled at Te Pūkenga—New Zealand Institute of Skills and Technology or a related entity of Te Pūkenga—New Zealand Institute of Skills and Technology.*

*(2) If Te Pūkenga—New Zealand Institute of Skills and Technology’s council receives a notice under subsection (1), it must provide the chief executive of TEC with the required information within the period specified in the notice.*

*The chief executive of TEC may revoke or amend a notice given under subsection (1).*

3.65 Sections 330 to 334 of the Education and Training Act 2020 also outline the powers of the Minister of Education to intervene if they consider Te Pūkenga to be at risk.

3.66 TEC has been publishing monitoring reports of Te Pūkenga on its website since April 2021.<sup>22</sup> As noted by TEC in its June 2022 monitoring report:

*... the overall failure of Te Pūkenga to progress key areas of work over the past two years means it will still be some time before the main benefits sought from the establishment of Te Pūkenga will be realised.*

3.67 TEC’s monitoring reports show that it was engaging with Te Pūkenga and reporting its concerns to the Minister of Education. From as early as April 2021, TEC had expressed concerns in the reports about the lack of progress Te Pūkenga was making.

### **The complexities of Crown monitoring**

3.68 The Education and Training Act 2020 provides levers that allow the Minister of Education to intervene if they have reasonable grounds to believe a TEI is at risk.

3.69 Any decisions to intervene in the governance and leadership of Te Pūkenga based on delays to its transformation programme would need to consider the risk of confusing accountability, undermining confidence in the transformation programme, and undermining the relationships it had developed with key stakeholders.



3.70 The strategic review of Te Pūkenga mentioned earlier noted that:  
*Te Pūkenga and TEC hold different views of what will be delivered on 1 January 2023 and have done so for some time. This is a significant cause of tension between the two organisations.*

3.71 Given the scale and complexity of the reforms, it is not surprising that there might have been tensions. We understand that after the strategic review, there was agreement about what would be delivered from 1 January 2023. The specifics of what will be delivered from this date can be found in the “Minimum viable product” table on the Te Pūkenga website.<sup>23</sup> We also acknowledge that natural tensions might arise given TEC’s role in the successful implementation of the reforms alongside objective monitoring of Te Pūkenga.

### **Our recent work on Crown entity monitoring**

3.72 Crown monitoring is complex, and we have seen this complexity in parts of the reforms in the last year.

3.73 In June 2022, we published our report *Improving value through better Crown entity monitoring*. Although our report focused on Crown entity monitoring specifically, we consider that the principles that underpin our findings apply to all public entity monitoring arrangements.

3.74 In our report, we noted that the network of roles, responsibilities, and relationships between Ministers, monitoring departments, Crown entity governing boards, and Crown entities is complex.<sup>24</sup> There are inherent tensions in the Crown entity monitoring system. For example:

- Monitoring departments and Crown entities need to work closely to develop monitoring frameworks and common expectations. However, a monitoring department must retain enough independence to take an objective view of Crown entity performance.
- The board has primary oversight and accountability for the Crown entity’s performance. However, monitoring departments are expected to form a judgement on the performance of a Crown entity and might need to challenge its board.
- To carry out their role effectively, monitoring departments must provide good information, analysis, and advice to Ministers about the effectiveness, efficiency, and performance of any Crown entities that they monitor. At the same time, monitoring departments must respect the arm’s-length relationship between the responsible Minister and the Crown entity and the

<sup>23</sup> See “Minimum viable product for 1 January 2023”, at [tepukenka.ac.nz](http://tepukenka.ac.nz).

<sup>24</sup> Office of the Auditor-General (2022), *Improving value through better Crown entity monitoring*, at [oag.parliament.nz](http://oag.parliament.nz).

monitoring, governance, and oversight responsibilities of the Crown entity's board.

- 3.75 These tensions are not always easy to manage. Monitoring arrangements work best when responsible Ministers, Crown entities, and monitoring departments are clear about their respective roles and responsibilities. There also needs to be effective communication, engagement, and up-front agreement about the Crown entity's measures and targets and a shared understanding between all of the parties about what good performance looks like.
- 3.76 Given the important role of Te Pūkenga as part of the reforms, strong and effective monitoring of its performance is essential. We encourage continued focus by relevant sector agencies in this area.

# Addressing educational disparities

- 4.1 A key focus of the reforms is addressing disparities. Because these disparities are not just limited to vocational education, strategies that apply to all TEIs and tertiary education and training have been prepared.
- 4.2 In this Part, we describe some of the work being done across the tertiary education sector. It is not intended to be an all-inclusive list of initiatives in place but instead highlights some of the work currently underway.
- 4.3 We also do not provide any view on whether any of the initiatives described in this Part have been successful.

## *The Tertiary Education Strategy*

- 4.4 The Government's *Tertiary Education Strategy* sets out the long-term strategic direction for tertiary education and was prepared after consultation with the tertiary education sector and other stakeholders.
- 4.5 There are eight priority areas in the *Tertiary Education Strategy*, including:
- ensuring that places of learning are safe and inclusive and free from racism, discrimination, and bullying;
  - taking account of learners' needs, identities, languages, and cultures in their planning and practice; and
  - incorporating te reo Māori and tikanga Māori into their everyday activities.
- 4.6 There are several strategies and initiatives across the tertiary education system that are aimed at supporting learners who have traditionally been under-served. They reflect the priority areas of the *Tertiary Education Strategy*.

## **Ōritetanga Learner Success approach**

- 4.7 Under the Third Article of Te Tiriti o Waitangi, the Crown has an obligation to ensure equitable outcomes for Māori as learners and to ensure that all learners – especially those currently under-served by the tertiary education system – can succeed. The Ōritetanga Learner Success approach is how TEC is giving effect to this obligation.
- 4.8 The Ōritetanga Learner Success approach provides TEIs with an approach for putting learners at the heart of what they do. It is designed to address biases and disparities that have led to specific learner groups being under-served.<sup>25</sup>

<sup>25</sup> See "Ōritetanga – tertiary success for everyone", at [tec.govt.nz](http://tec.govt.nz).

## The learner component of the Unified Funding System

- 4.9 The learner component accounts for about 7% of the Unified Funding System. Its purpose is to support all learners, particularly those who traditionally have not been well served by the education system. TEC notes on its website that there are four groups the system has not previously served as well as it could. These groups are:
- learners with low prior achievement;
  - disabled learners;
  - Māori learners; and
  - Pasifika learners.
- 4.10 TEC also notes that these groups serve as a proxy for learners who need additional support to be successful in vocational education and training. In other words, these groups provide a way to allocate funding across the vocational education and training system in a reasonably straightforward way. This does not mean that funding should only be used for learners in these four groups. Instead, education providers need to identify the unique needs of all their learners, make decisions about how to support them, and allocate funding accordingly.

## Taumata Aronui – Māori success in tertiary education

- 4.11 Established in 2019, Taumata Aronui is an independent advisory group established to help ensure that the tertiary education system reflects the Government's commitment to Māori-Crown partnerships.
- 4.12 Taumata Aronui published its first report, *Manu Kōkiri*, on 24 May 2022. It calls for transformational change to the system to ensure more Māori success in tertiary education. This will benefit all New Zealanders. The overall vision for the New Zealand tertiary education system, as expressed by Taumata Aronui, is:
- ... the best indigenously inspired tertiary education system in the world - one where incredible success is experienced by indigenous people (this is normalised and expected) and where indigenous knowledge and experience influences the sector positively and becomes the inspiration for the success of all. This is an internationally lauded, distinctive Aotearoa-New Zealand tertiary education system where all succeed.*
- 4.13 In contrast to the aspirational and positive vision Taumata Aronui has for New Zealand's tertiary education system, the report also notes that:
- Those Māori who do enter into tertiary education are often greeted by an environment that is negative toward their Māori identity and experience.*

*Some suffer direct racism while others endure the inference drawn from the environment that being Māori is not welcome here.*

*The education environment does not reflect who they are, what their experiences have been, what their needs are, what their dreams, aspirations and hopes are. On the whole, the Māori experience of state education since the 19th century has been poor and, in some instances, disastrous.*

- 4.14 We were told that officials from the Ministry of Education and TEC are currently working with Taumata Aronui members on how to take forward the vision and recommendations in *Manu Kōkiri*.

### **Ako Wānanga – Te Wānanga o Aotearoa**

- 4.15 The Taumata Aronui report notes that some Māori learners might not feel welcome in the tertiary education system because of their ethnicity, and the education environment does not always reflect who they are, what they need, and what their aspirations are.
- 4.16 Wānanga have a unique role in the tertiary education system. Part of their uniqueness is the way in which they approach their practice and pastoral care of their learners to help them feel welcome and accepted.
- 4.17 Ako Wānanga is a practice of excellence that Te Wānanga o Aotearoa has developed and implemented. At its heart, Ako Wānanga is a commitment to nurturing transformative education and learner experiences. It is inspired by Te Kaupapa Matua o Te Wānanga o Aotearoa (the overall vision of Te Wānanga o Aotearoa) and supported by Ngā Uara me Ngā Takepū (the values of Te Wānanga o Aotearoa).
- 4.18 Ako Wānanga consists of four primary huanga (attributes):
- Whanaungatanga – respectful relationships and connections.
  - Ako – living, learning, and teaching.
  - Aro – reflective practice.
  - Te Hiringa – passion, motivation, and spirit.
- 4.19 These are the essential components of Ako Wānanga and, when considered holistically, these concepts provide the philosophy for teaching and learning in Te Wānanga o Aotearoa.

## Te Pūkenga – “Ākonga at the Centre” research

- 4.20 In late 2021, Te Pūkenga published three complementary reports as part of its “Ākonga at the Centre” research. The reports provide insights from Māori, Pasifika, and disabled people about the enablers and barriers they faced in vocational and applied learning settings. Te Pūkenga notes that it is committed to applying the lessons from these reports to everything it does.

## Addressing disparities faced by disabled learners

- 4.21 In September 2021, TEC announced that it would introduce disability action plans in its 2022 investment round as part of the Government's move to ensure that TEIs meet their responsibilities under the United Nations' Convention on the Rights of Persons with Disabilities.
- 4.22 The purpose of the disability action plans is to ensure that TEIs avoid discriminating against disabled learners and provide disabled learners with better outcomes from their education.
- 4.23 From 2023, outcomes focused on supporting disabled learners will be a funding requirement.
- 4.24 It is important that the tertiary education system continues to focus on supporting disabled students. As at June 2022, 32% of disabled people aged 15-24 years were not in employment, education, or training compared with 10% of non-disabled youth.<sup>26</sup>

## Addressing disparities faced by Pasifika learners

- 4.25 An Action Plan for Pacific Education was released by the Ministry of Education in 2020 for the 2020-2030 period. Its focus is to ensure that Pasifika learners and their families are safe, valued, and equipped to achieve their education aspirations. For Pasifika learners and their families, recognising their unique identities, languages, and cultures is critical to success in education.
- 4.26 The 10-year Action Plan is intended to make systemic change in, and across, the education system. The goal is to improve educational outcomes for Pasifika learners and their families.
- 4.27 The Action Plan describes five key shifts needed to achieve this vision:
- work reciprocally with diverse Pasifika communities to respond to unmet needs, with an initial focus on needs arising from the Covid-19 pandemic;
  - confront systemic racism and discrimination in education;

- enable every teacher, leader, and educational professional to take co-ordinated action to become culturally competent with diverse Pasifika learners;
- partner with families to design education opportunities together with teachers, leaders, and educational professionals so aspirations for learning and employment can be met; and
- develop, retain, and value highly competent teachers, leaders, and educational professionals with diverse Pacific whakapapa.

4.28 Our next report will look at how the tertiary education system is addressing disparities faced by under-served learners and what progress is being made.

# 5

## Audit results for 2021

### Audit opinions and audit reports

- 5.1 We issued unmodified audit opinions for 25 of the 28 TEIs. An unmodified opinion means that we were satisfied that the information reported fairly reflected the TEIs' activities for the year and financial position at the end of the year. We issued one TEI – Universal College of Learning Limited – with a qualified audit opinion. We are yet to issue our 2021 audit opinion for two TEIs.

### Qualified audit opinion

- 5.2 In 2021, we were satisfied that the information we audited fairly reflected Universal College of Learning Limited's activities and its financial position at 31 December 2021.
- 5.3 However, we issued a qualified opinion due to uncertainties in the valuation of campus buildings after a seismic issue was identified in previous-year audits.
- 5.4 The issue was resolved by 31 December 2021. However, we were unable to get sufficient assurance over opening balances and, consequently, in-year valuation movements.

### Emphasis of matter: Te Pūkenga subsidiaries to be disestablished by 31 December 2022

- 5.5 All of the subsidiaries of Te Pūkenga that had audit reports issued included "emphasis of matter" paragraphs. These "emphasis of matter" paragraphs drew attention to the subsidiaries continuing until 31 December 2022 at the latest before being fully integrated into Te Pūkenga. The subsidiaries have appropriately prepared their 2021 financial statements on the basis that they will be disestablished.

### Emphasis of matter: Uncertainty over Otago Polytechnic Auckland International Campus Limited Partnership's ability to continue to meet its lease payments

- 5.6 Our audit report on Otago Polytechnic Limited included an "emphasis of matter" paragraph that drew attention to whether Otago Polytechnic Auckland International Campus Limited Partnership could continue to meet its lease payments. Because of its dependence on international student enrolments, there is significant uncertainty over its ability to continue to meet its lease payments. This results in a risk that the Otago Polytechnic might have to honour these payments.



### Timeliness of reporting in 2021

- 5.7 Despite the continued operational disruptions caused by the Covid-19 pandemic, the eight universities, three wānanga, and 12 of the 16 subsidiaries of Te Pūkenga met the statutory<sup>27</sup> reporting deadline of 2 May 2022.<sup>28</sup>
- 5.8 Waikato Institute of Technology Limited and Northland Polytechnic Limited did not meet the statutory reporting deadline. They reported on 31 May 2022 and 3 October 2022 respectively. This was due to delays on their part and auditor resourcing challenges.
- 5.9 Tai Poutini Polytechnic Limited and Western Institute of Technology at Taranaki Limited have not yet reported and therefore have not met their statutory reporting deadlines.
- 5.10 The 2020 annual audit and the 2020 disestablishment audit<sup>29</sup> for Tai Poutini Polytechnic Limited and Western Institute of Technology at Taranaki Limited have still not been reported. The last audit report that was issued on time for Tai Poutini Polytechnic Limited was for 2015. The last audit report issued on time for Western Institute of Technology at Taranaki Limited was for 2019.
- 5.11 It is important that public organisations produce timely and accurate accountability reports to ensure that audits can be completed on time and the results reported publicly. The Covid-19 pandemic and resource constraints continued to create challenges in 2021 for some public organisations and auditors.
- 5.12 End-of-year reporting provides the foundation for public accountability and is important for future planning. High-quality, reliable, and independently assured information is important to maintaining the trust and confidence of Parliament and the public.

27 This is a statutory deadline for universities and wānanga and an expected deadline for Te Pūkenga subsidiaries. Because the subsidiaries are not parent Crown entities, they are not legally required to prepare annual financial statements. However, the Minister of Education has noted that an annual report is expected – including audited financial statements – from the subsidiaries as long as they continue to operate as subsidiaries. In our view, the subsidiaries' reporting time frames should be consistent with the statutory time frame for the other TEIs.

28 The statutory deadline is 2 May 2022 and not 30 April 2022 because the Interpretation Act 1999 states that if the last day of the set period is not a working day, then it will be the next working day. Because 30 April 2022 fell on a Saturday, the next working day became the statutory date (2 May 2022).

29 The disestablishment audit was carried out from 1 January to 31 March 2020, during which time the Te Pūkenga subsidiaries were still institutes of technology and polytechnics.

## Preparing for audit

- 5.13 Although most TEIs meet their statutory reporting deadlines every year, doing so can involve hidden costs. We approved 13 requests from auditors to charge additional costs to TEIs because of delays and rework in auditing their 2021 financial statements and performance information.
- 5.14 Having robust governance frameworks and internal controls are important for good stewardship of organisations and maintaining public trust and confidence. When they operate effectively, it can reduce the amount of work auditors need to do.
- 5.15 Some common issues that auditors had when auditing TEIs' financial statements and performance information included:
- receiving multiple versions of the financial statements;
  - TEIs not providing suitable information and/or providing information containing significant errors;
  - land and building valuations not completed in a timely manner and/or difficulties in getting adequate supporting information from valuers and/or preparers;
  - a lack of internal quality review of the annual report by TEIs (including the financial statements and statements of service performance); and
  - accounting standards being inappropriately applied and technical accounting matters needing to be worked through.
- 5.16 Given the accounting judgements that might need to be made due to the effects of the Covid-19 pandemic, it is particularly important for TEIs to thoroughly prepare for the audit process.

## Sensitive expenditure

- 5.17 Sensitive expenditure is any spending by an organisation that could be seen as giving private benefit to a staff member or member of the governing body that is additional to the business benefit to the organisation. Spending that is inappropriate or that lacks a legitimate business reason risks harming a public organisation's reputation and the reputation of the public sector more generally.
- 5.18 Public organisations need to manage sensitive expenditure deliberately and diligently. As with all spending, it needs to withstand public scrutiny.
- 5.19 Part of our role is examining how public organisations spend public money, including whether the spending provides, or might be seen to provide, some private benefit.

- 5.20 During our 2021 audits, we found instances of TEIs not complying with the sensitive expenditure policies, including:
- not obtaining appropriate pre-approval for sensitive expenditure incurred; and
  - chief executives and chairpersons' expenses not approved by the appropriate person.
- 5.21 We have reported these instances of non-compliance to the relevant TEIs.
- 5.22 Issues with sensitive expenditure can arise regardless of how much money is spent. Even a small amount can raise concerns if it appears to be improper.
- 5.23 TEIs need to include adequate guidance about sensitive expenditure in their policies and ensure that these policies are consistent with good practice. To help public organisations, we have published good practice guides on sensitive expenditure.<sup>30</sup> In several of our audits, we have recommended that TEIs update their sensitive expenditure policies and take our guidance into account.

## Audit recommendations

- 5.24 The top four types of recommendations our auditors made to TEIs were to improve:
- controls over expenditure and payroll systems;
  - processes for valuing property, plant, and equipment, including maintaining the fixed-asset register;
  - the effectiveness and application of other policies, especially for conflicts of interest and sensitive expenditure; and
  - controls over information systems and data management.
- 5.25 These types of recommendations are mostly consistent with recommendations we have made in previous years. There were more recommendations this year about improving conflicts of interest and sensitive expenditure policies. There were fewer recommendations about TEIs applying their accounting policies.
- 5.26 During the 2021 audits, we found that about 130 audit recommendations had been implemented throughout the tertiary education sector. We also made an additional 98 recommendations as part of our 2021 audits. We expect TEIs to continue focusing on making the necessary improvements and encourage TEI audit and risk committees to regularly monitor progress against them.

<sup>30</sup> Office of the Auditor-General (2020), *Controlling sensitive expenditure: Guide for public organisations*, at [oag.parliament.nz](https://oag.parliament.nz).

# 6

## Universities' financial results and enrolments

- 6.1 In this Part, we discuss how the financial position of universities has changed over the last few years.
- 6.2 The border closures in response to the Covid-19 pandemic have decreased the number of international student enrolments at universities. However, in our report *Tertiary education institutions: What we saw in 2021*, we noted that the decrease in the number of international student enrolments did not affect universities as significantly as we anticipated.

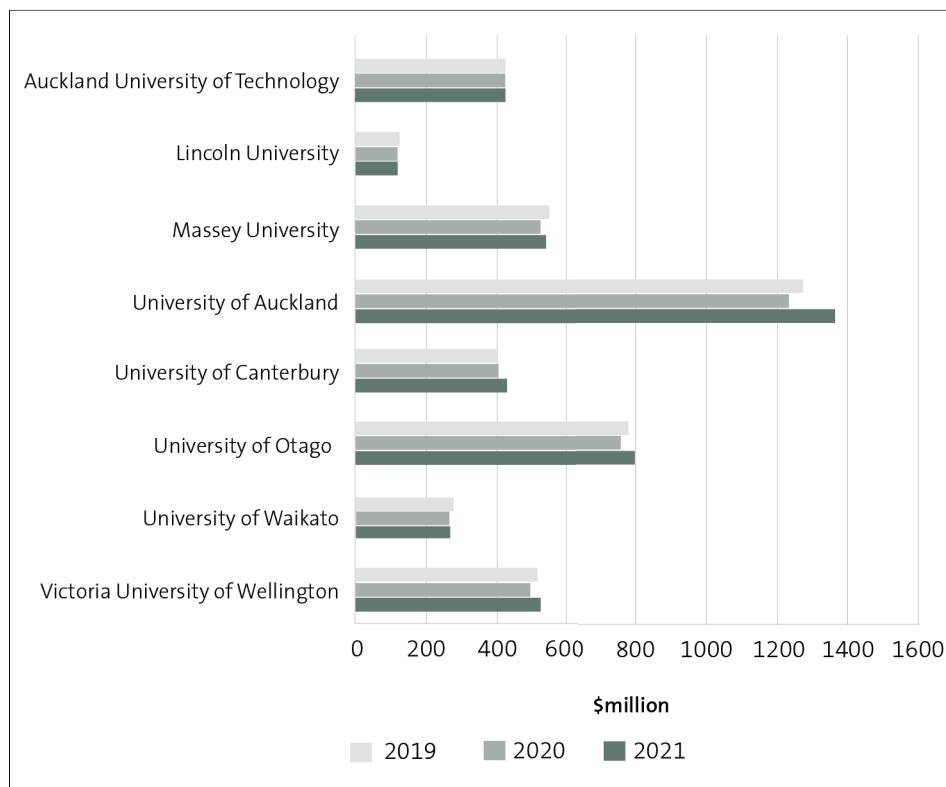
### Main financial results

- 6.3 Figure 4 shows that every university except the University of Canterbury earned less revenue in 2020 than in 2019. Figure 4 also shows that every university except the Auckland University of Technology earned more revenue in 2021 than in 2020. This was due to an increase in domestic enrolments across the tertiary education sector in 2021.
- 6.4 The border closures and lockdowns in 2020 occurred after the start of the academic year. This meant a significant proportion of international students were already enrolled and in the country.
- 6.5 However, there was a large difference between the enrolment trends of domestic and international students. There was an 8.9% increase in domestic students in the universities between 2019 and 2021.<sup>31</sup> There was a 23% decrease in international student enrolments in the same period.<sup>32</sup>

<sup>31</sup> See spreadsheet of provider-based enrolments "sheet ENR.10", at [educationcounts.govt.nz](https://educationcounts.govt.nz).

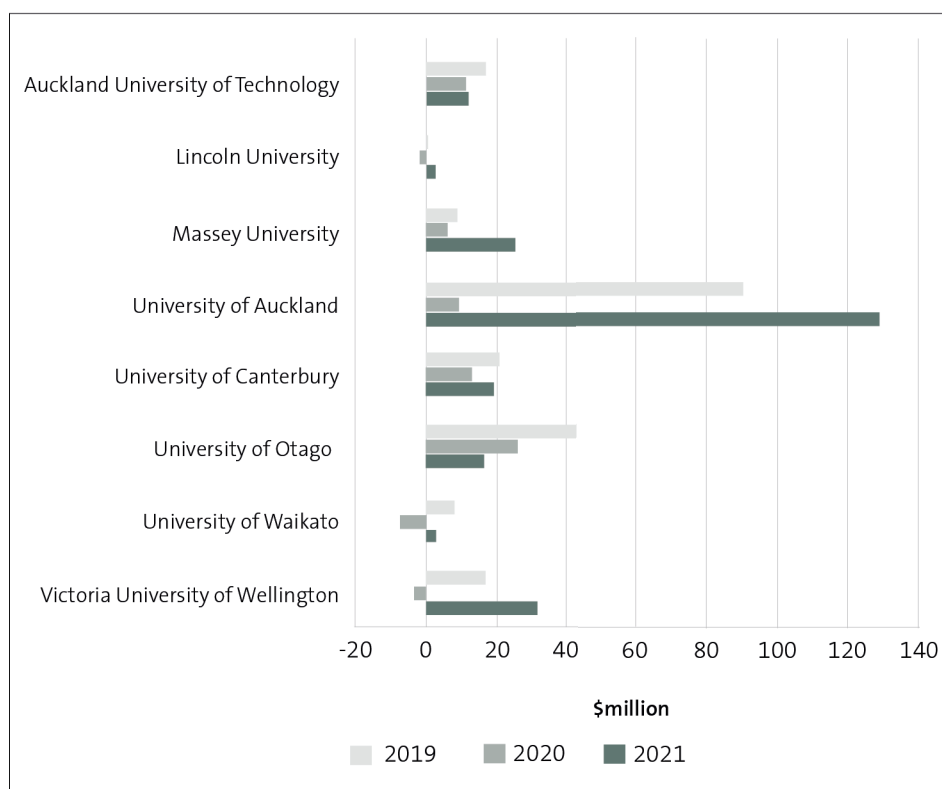
<sup>32</sup> See spreadsheet of provider-based enrolments "sheet ENR.10", at [educationcounts.govt.nz](https://educationcounts.govt.nz).

**Figure 4**  
Revenue for universities, from 2019 to 2021



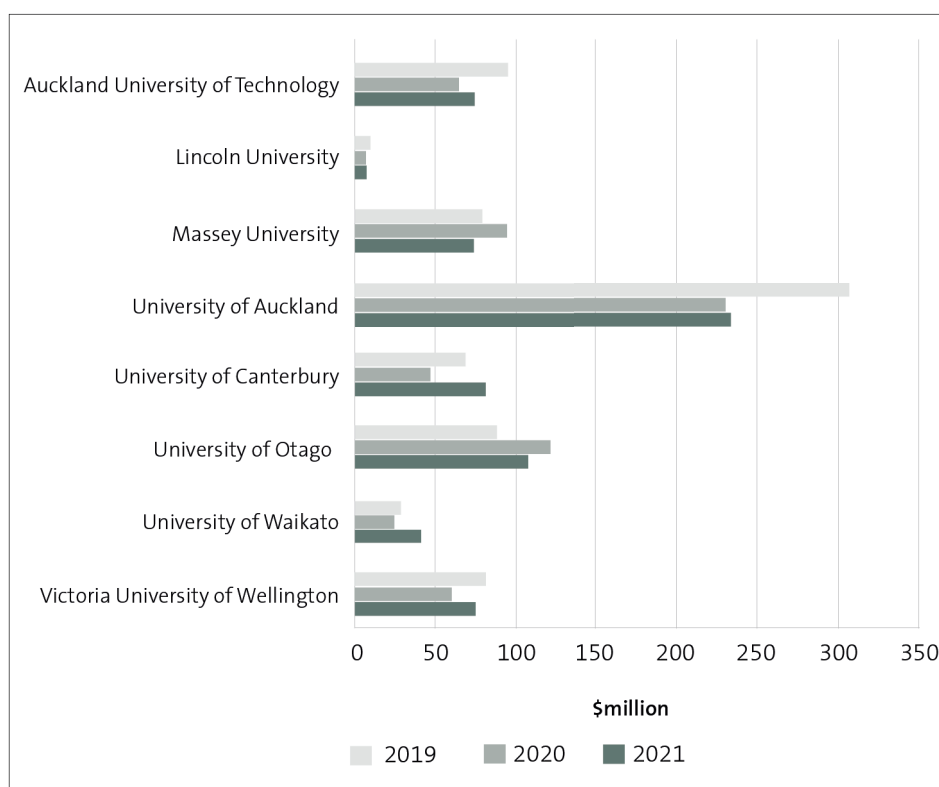
6.6 All universities recorded a financial surplus in 2019. Figure 5 shows that the sector-wide surplus decreased in 2020, with three universities ending the year with deficits. However, all the universities recorded a surplus in 2021 due to an overall increase in domestic enrolments.

**Figure 5**  
University surpluses/deficits, from 2019 to 2021



6.7 Figure 6 shows that all universities have had consistently positive operating cash flows from 2019 to 2021. Generally positive operating cashflows means that, all other things being equal, the organisation is generating enough cash to meet its operating obligations. Therefore, it is less likely to rely on debt or other sources of funding to be financially sustainable. The decrease in international enrolments in 2020 negatively affected university surpluses (see Figure 9). However, due to the increase in domestic enrolments, all universities reported surpluses in 2021.

**Figure 6**  
University cash flows from operations, from 2019 to 2021



6.8 TEC has a framework for monitoring the financial viability of TEIs.<sup>33</sup> It sets risk thresholds for each of the measures in the framework. One measure TEC uses is “surplus as a percentage of revenue”. Its low-risk threshold (that is, performing as, or better than expected) is 3% or more.

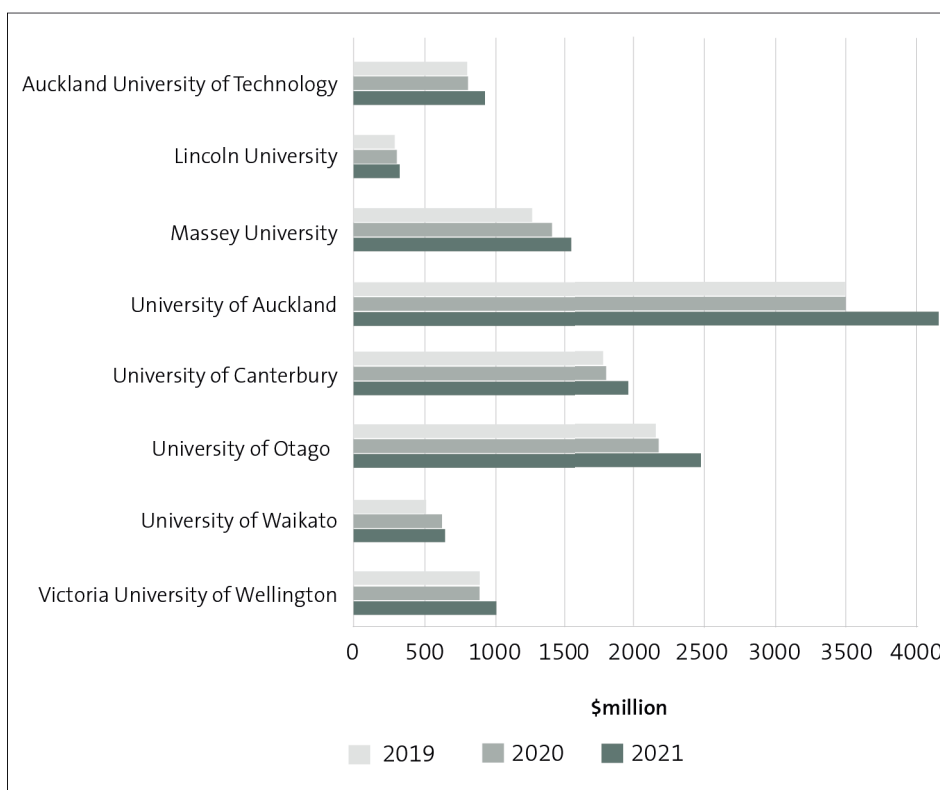
6.9 We list the surplus as a percentage of revenue for each university for 2021:

- University of Auckland – 9.5%.
- Victoria University of Wellington – 6%.
- Massey University – 4.6%.
- University of Canterbury – 4.4%.
- Auckland University of Technology – 2.9%.
- Lincoln University – 2.4%.
- University of Otago – 2.1%.
- University of Waikato – 1.1%.

<sup>33</sup> Tertiary Education Commission (2016), *Financial Monitoring Framework Guidelines for Tertiary Education Institutions*, at [tec.govt.nz](http://tec.govt.nz).

6.10 Equity is the difference between a public organisation's assets and its liabilities. Therefore, the net assets of an organisation represent the ownership interest of taxpayers. Figure 7 shows that all universities except Victoria University of Wellington had more equity in 2020 than in 2019. It also shows that equity increased for all universities in 2021 – a total increase of \$1.5 billion from 2020 to 2021.

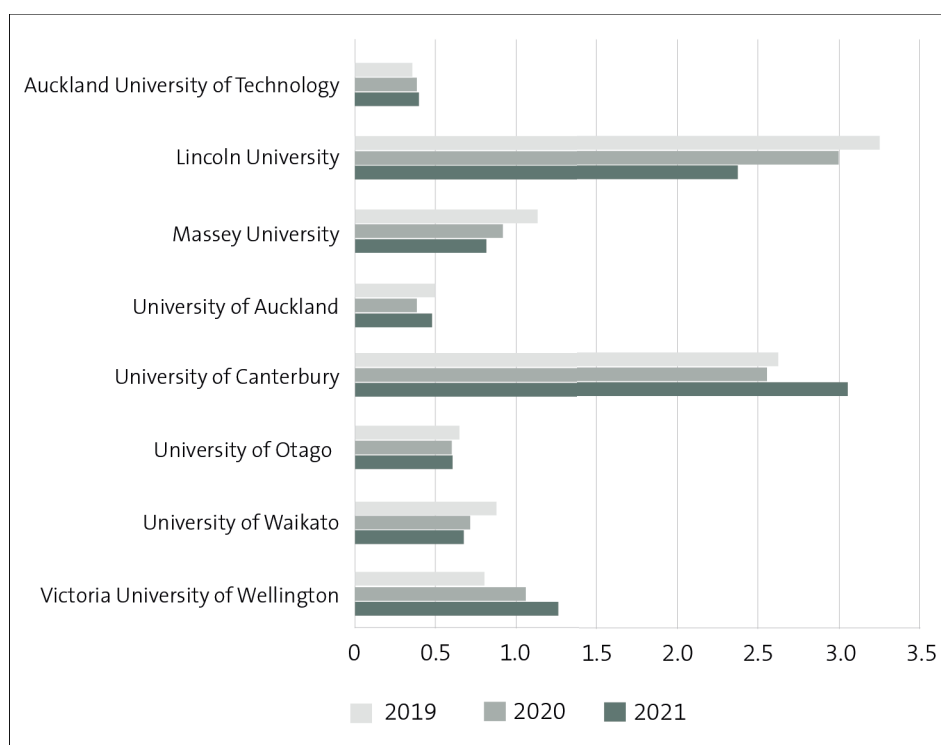
**Figure 7**  
**University equity, from 2019 to 2021**





- 6.11 The current ratio is a liquidity ratio that measures an organisation's ability to pay short-term obligations or obligations due within one year. Figure 8 shows that five universities had current ratios of less than 1 in 2021, which is consistent with 2020. A current ratio of less than 1 means that an organisation's current assets are less than its current liabilities.
- 6.12 Current ratios are only one measure of an organisation's ability to meet obligations as they fall due. Because of the overall financial standing of universities, the low current ratios might not be concerning. However, they do require active management.

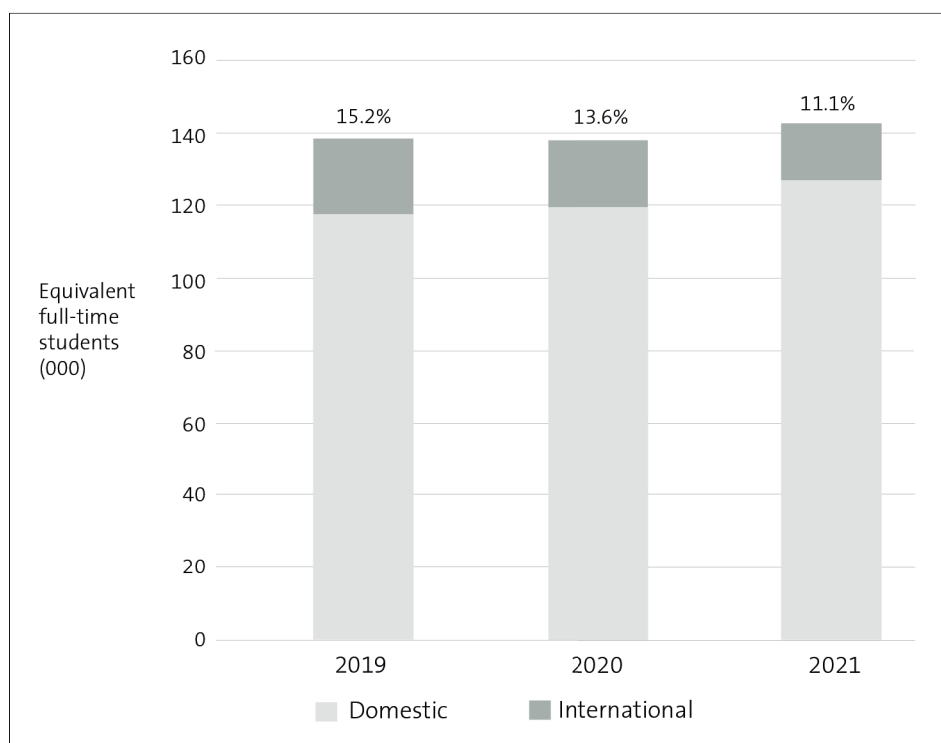
**Figure 8**  
University current ratios, from 2019 to 2021



## Enrolments

- 6.13 Figure 9 shows that the total number of EFTS at universities remained reasonably consistent – in 2019 there were 138,590 EFTS and in 2020 there were 138,135 EFTS.
- 6.14 In 2021, the total number of EFTS increased to 142,760. This was due to a significant increase in domestic enrolments as international enrolments continued to decline due to border restrictions.

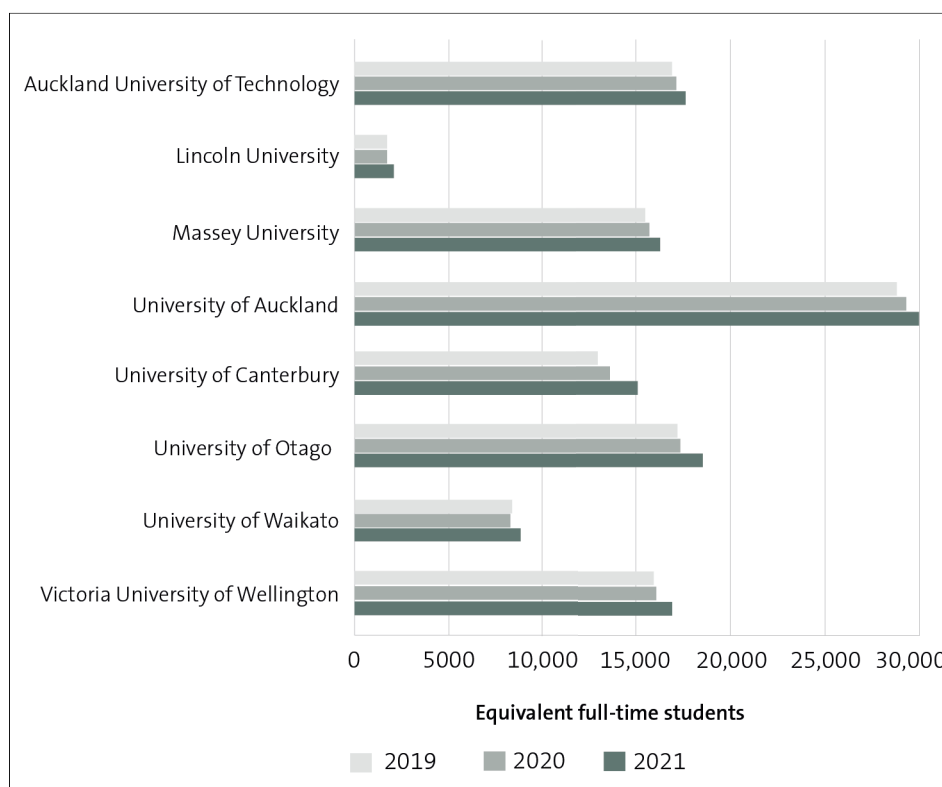
**Figure 9**  
Total domestic equivalent full-time students and the percentage of international equivalent full-time students at universities, from 2019 to 2021



Source: Data collected from universities' annual reports.

- 6.15 The number of domestic EFTS has increased over the last few years. Figure 10 shows that all but one university had an increase in domestic EFTS from 2019 to 2020. All universities had an increase in the number of domestic enrolments between 2020 and 2021.
- 6.16 The Ministry of Education released a report in December 2021 on how the Covid-19 pandemic has affected tertiary education.<sup>34</sup> The report notes that some broad trends in participation have become apparent. There was a large increase in domestic enrolments in 2021, both at tertiary education providers and in workplace-based training. The closing of the border resulted in a significant decrease in the number of international students attending tertiary institutions.

**Figure 10**  
**Domestic equivalent full-time students at universities, from 2019 to 2021**

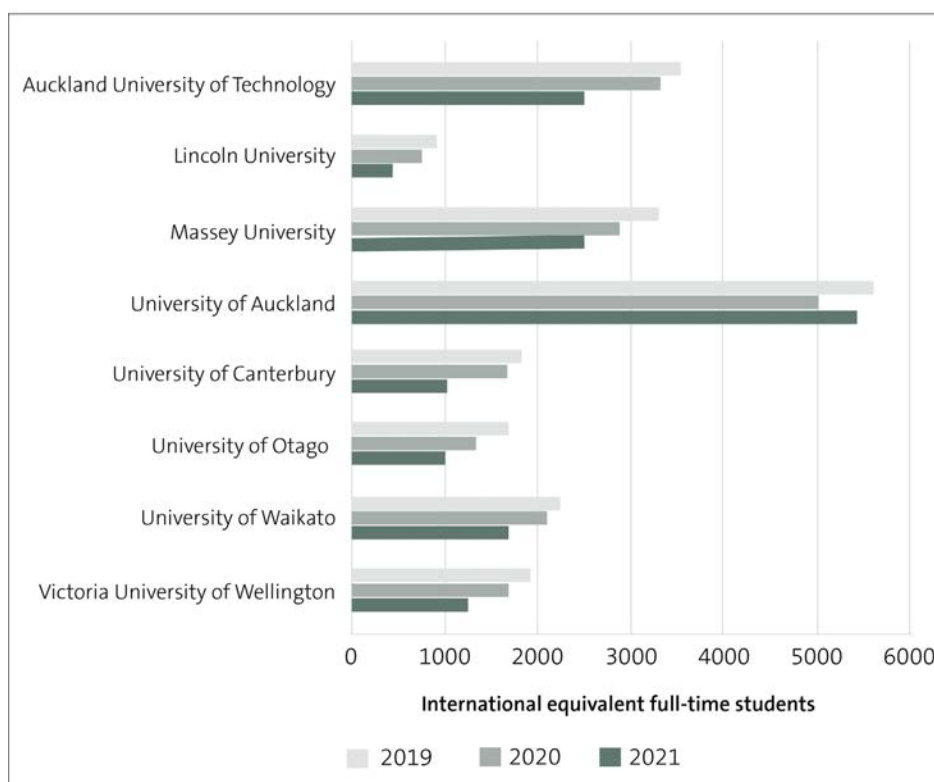


Source: Data collected from universities' annual reports.

<sup>34</sup> Ministry of Education (2021), *The impact of COVID-19 on tertiary education in New Zealand: Initial impact on participation*, at [educationcounts.govt.nz](https://educationcounts.govt.nz).

6.17 Figure 11 shows that every university had a decrease in international EFTS between 2019 and 2020. The decrease in international EFTS continued into 2021 as border restrictions continued. The one exception was the University of Auckland, which saw an increase in international EFTS in 2021. This was due to significant efforts to facilitate offshore/remote enrolment, as well as working with overseas partners to establish learning centres in China and Vietnam.<sup>35</sup>

**Figure 11**  
International equivalent full-time students at universities, from 2019 to 2021



Source: Data collected from universities' annual reports.

## Conclusion

- 6.18 The Covid-19 pandemic has affected universities, most notably through the decrease in international student enrolments. However, universities have not been as significantly affected as anticipated due to a significant increase in domestic enrolments in 2021. This more than offset the decrease in international enrolments for the same year. All universities have generally ended 2021 in an improved financial position compared with 2020.
- 6.19 However, as at August 2022, total university enrolments for the year were 134,235 EFTS compared with 142,760 as at August 2021. Although universities might be able to absorb short-term revenue reductions, they will need to reconsider their medium to long-term forecasts to ensure that they take account of further uncertainty and disruptions to the learning environment.

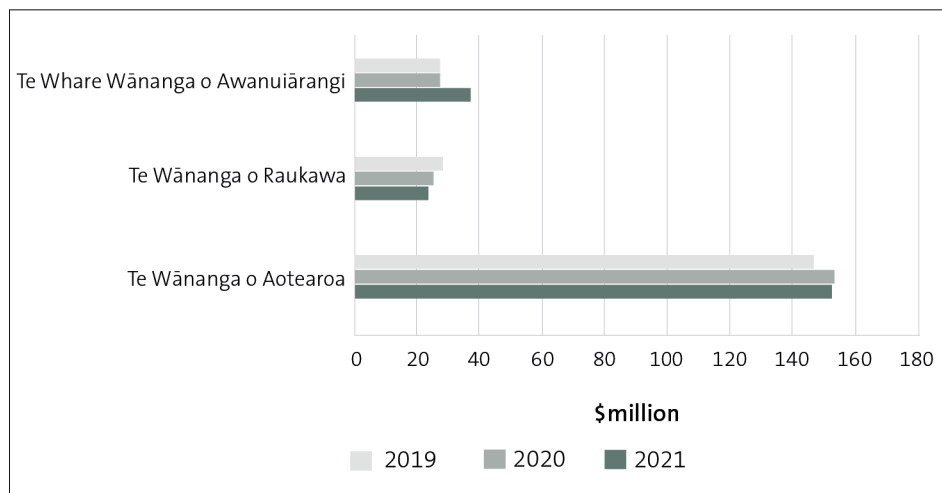
# 7

## Wānanga financial results and enrolments

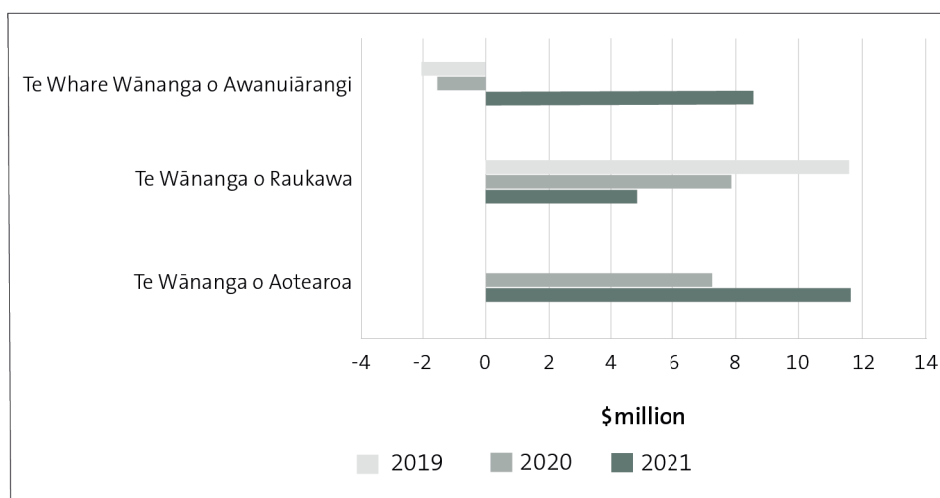
### Main financial results

- 7.1 Over the last three years, two of the three wānanga had increased revenue due to one-off payments from the Government.
- 7.2 Figure 12 shows that Te Whare Wānanga o Awanuiārangi was the only wānanga to have an increase in revenue in 2021. It increased by 36.3%, largely due to a one-off payment of \$12 million from the Government in recognition of the historical underfunding of wānanga research. Without this one-off payment, revenue would have declined.<sup>36</sup>

**Figure 12**  
Revenue for wānanga, from 2019 to 2021



**Figure 13**  
**Wānanga surpluses/deficits, from 2019 to 2021**



Note: Te Wānanga o Aotearoa had a deficit of \$1000 in 2019, so the corresponding bar in the graph above is too small to see.

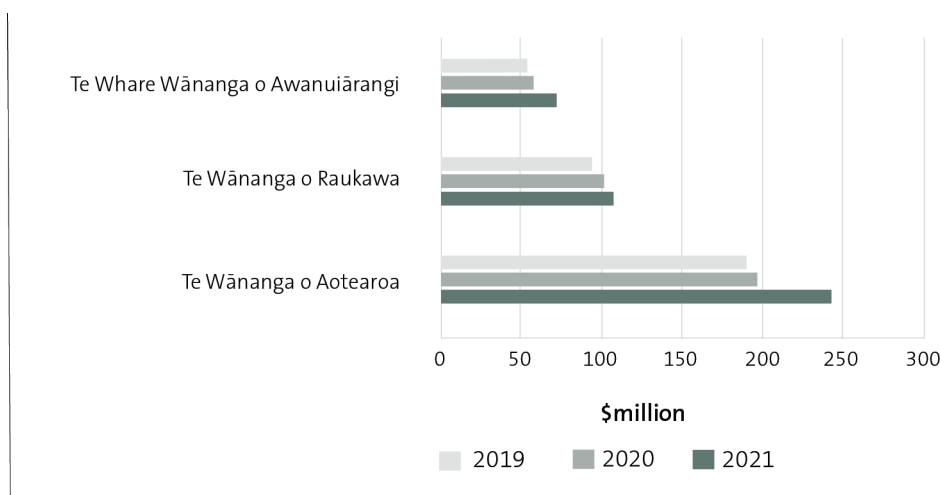
- 7.3 Figure 13 shows that all three wānanga recorded surpluses in 2021. The surplus for Te Wānanga o Raukawa reduced by more than 38% between 2020 and 2021. This was mainly due to increased costs for campus development and personnel, and because it received a one-off payment of \$5.3 million in 2020, partly in response to the research funding issues highlighted by Te Wānanga o Raukawa in its Waitangi Tribunal Claim.<sup>37</sup>
- 7.4 Te Whare Wānanga o Awanuiārangi had a significantly improved financial position, going from a deficit of \$1.5 million in 2020 to a surplus of \$8.5 million in 2021. However, as mentioned previously, this was due to a one-off payment of \$12 million by the Government.
- 7.5 Te Wānanga o Aotearoa also improved its financial position in 2021, recording a surplus of \$11.7 million – an almost 60% increase from the previous year. This was primarily due to a decrease in total expenses such as Covid-19 restrictions affecting the ability to spend as planned.
- 7.6 The surplus as a percentage of revenue figure for each of the wānanga in 2021 was 7.7% for Te Wānanga o Aotearoa, 20.6% for Te Wānanga o Raukawa, and 23% for Te Whare Wānanga o Awanuiārangi.<sup>38</sup> TEC's low-risk threshold is 3%.

<sup>37</sup> Te Wānanga o Raukawa (2021), *Te Pūrongo 2021*, at wananga.ac.nz. The Waitangi Tribunal Claim number is WAI2698.

<sup>38</sup> The 2021 surplus as a percentage of revenue figure for Te Whare Wānanga o Awanuiārangi includes a one-off payment of \$12 million.

7.7 Figure 14 shows that all three wānanga continue to have strong balance sheets, with equity for all three increasing in 2021. The total increase in equity from 2020 to 2021 was 18.1%. All three wānanga had ratios of more than three in 2020 and 2021. This means that they have more than \$3 worth of current assets for every \$1 of current liabilities.

**Figure 14**  
**Wānanga equity, from 2019 to 2021**



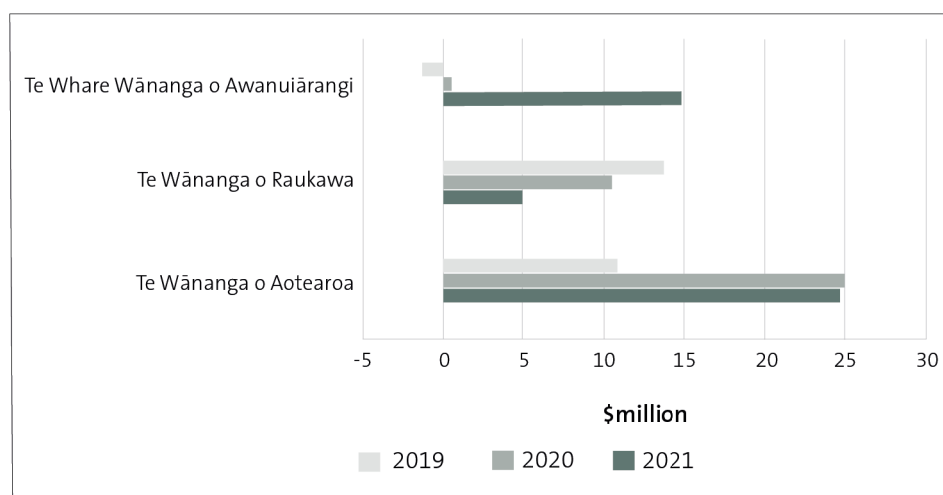
7.8 Figure 15 shows that all three wānanga continued to have positive cash flows from their operations in 2021. Te Whare Wānanga o Awanuiārangi had a significant increase in cash flow from operations, from \$544,000 in 2020 to \$14.9 million in 2021. This was, again, due largely to a one-off payment of \$12 million by the Government. Without the one-off payment, the amount in 2021 would have been \$2.9 million.

7.9 Te Wānanga o Raukawa's net operating cash flows have been decreasing over the last few years, from \$13.6 million in 2019 to \$5 million in 2021. The decrease between 2019 and 2020 would have been larger in the absence of the one-off payment explained in paragraph 7.3.



7.10 Te Wānanga o Aotearoa had a significant increase in net cash flows from operations between 2019 and 2020 and then remained fairly consistent in 2021. We understand the increased cash flow in 2020 was largely due to TEC not recovering funding from TEIs as a result of under-delivery in terms of volume during 2020, because of the impacts of Covid-19.

**Figure 15**  
**Wānanga cash flows from operations, from 2019 to 2021**

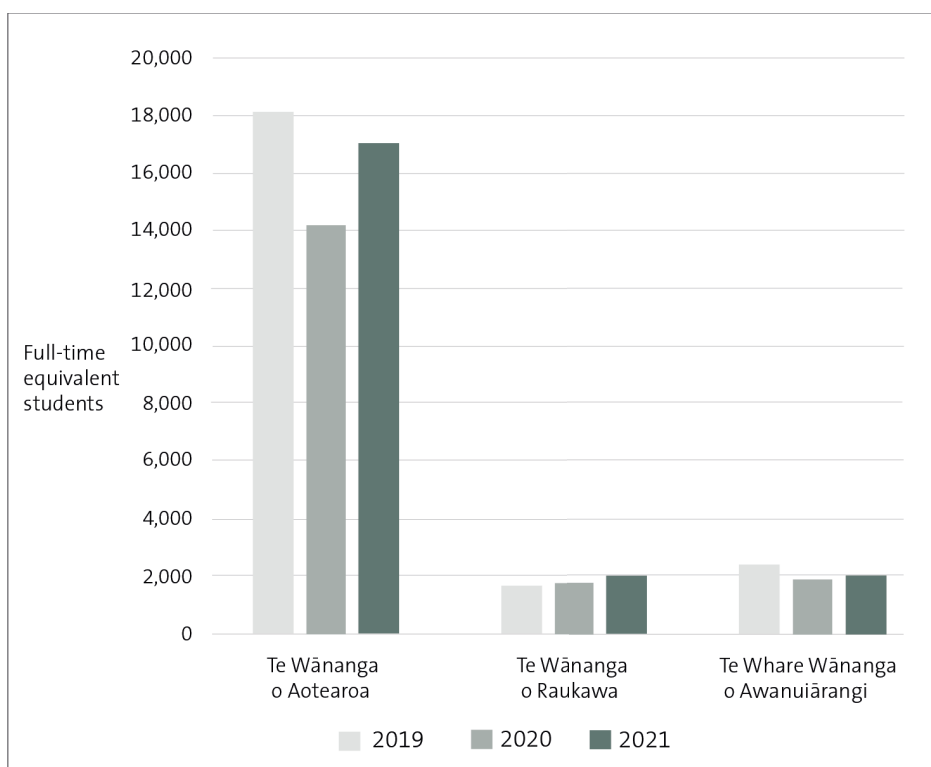


7.11 Because wānanga do not have many international students, the border closures did not affect their revenue in 2020 or 2021. However, the Covid-19 pandemic affected enrolments at wānanga in 2020 and 2021 in other ways.

## Enrolments

- 7.12 Wānanga primarily have domestic learners. The number of international full-time learners for all three wānanga is low. In 2019, there were 15 international learners, in 2020 there were 10 international learners, and in 2021 there were five international learners.
- 7.13 Figure 16 shows the total EFTS at the wānanga from 2019 to 2021. Enrolments at Te Wānanga o Raukawa have increased steadily over the last few years – from 1685 in 2019 to 1995 in 2021. Te Whare Wānanga o Awanuiārangi had 1895 EFTS in 2020 compared to 2385 in 2019. In 2021, total EFTS were 2010.

**Figure 16**  
Total equivalent full-time students at wānanga, from 2019 to 2021



Source: Annual reports of the three wānanga.

- 7.14 The largest wānanga, Te Wānanga o Aotearoa, had a significant decrease in EFTS in 2020. The number of enrolments in 2020 was nearly 4000 less than in 2019. Enrolment numbers have increased again by nearly 3000 in 2021 to just more than 17,000.
- 7.15 As at August 2022, Te Wānanga o Raukawa had 2160 EFTS, Te Whare Wānanga o Awanuiārangi had 1705 EFTS, and Te Wānanga o Aotearoa had 13,845 EFTS.
- 7.16 Students at wānanga are much more likely to be Māori, female, and aged 40 years and over. Because of these demographics, wānanga have a greater proportion of students who are more likely to have competing responsibilities, such as work or looking after children and whānau. Therefore, they were more adversely affected by lockdowns, which resulted in high numbers of course withdrawals.<sup>39</sup>

## Conclusion

- 7.17 All three wānanga ended 2021 in a positive financial position. However, both Te Wānanga o Raukawa and Te Whare Wānanga o Awanuiārangi received one-off payments from the Government in 2020 and 2021 respectively.
- 7.18 It will be important for wānanga to reconsider their medium to long-term forecasts and take account of any potential decline in enrolments and any ongoing uncertainty and disruptions to their learning environment.

<sup>39</sup> Office of the Auditor-General (2022), *Tertiary education institutions: What we saw in 2021*, Part 3, paragraphs 3.51-3.55, at [oag.parliament.nz](https://oag.parliament.nz).

# 8

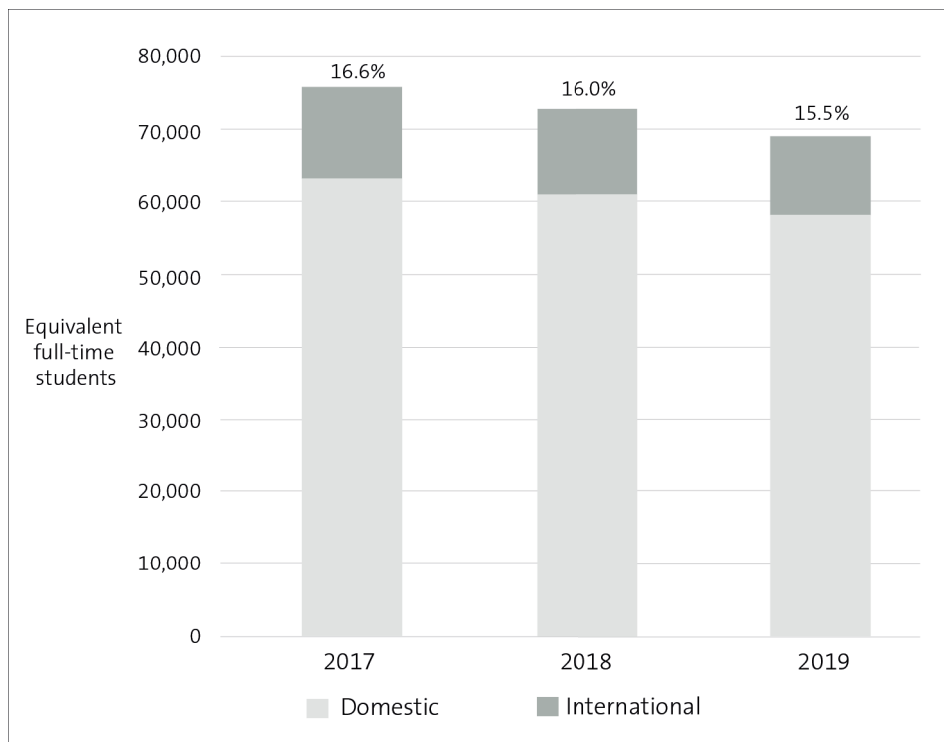
## The institutes of technology and polytechnics and Te Pūkenga: 2019 to 2021

8.1 Since its establishment in April 2020, Te Pūkenga has been through a number of changes to its structure. For this reason, this section of our report discusses the financial results and enrolments of Te Pūkenga in the context of the changes that have happened over recent years.

### Audit results for 2019

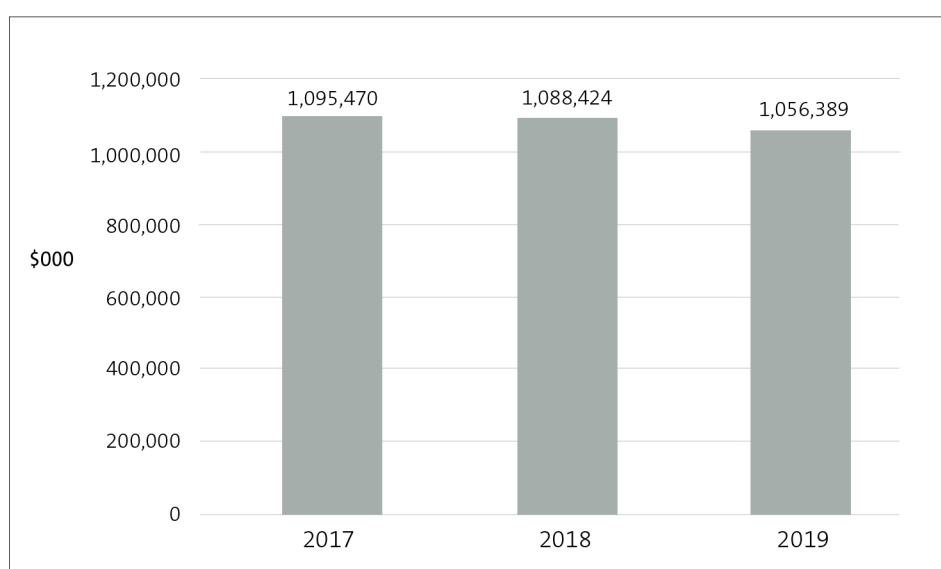
8.2 Before Te Pūkenga was established, 16 institutes of technology and polytechnics (ITPs) were in place and operated as independent TEIs. In 2020, we reported that total enrolments across the 16 ITPs had declined between 2017 and 2019 (see Figure 17).

**Figure 17**  
Total full-time student enrolments and the percentage of international equivalent full-time students at institutes of technology and polytechnics, from 2017 to 2019



- 8.3 Total revenue also declined over this period, from \$1.095 billion in 2017 to \$1.056 billion in 2019 (see Figure 18).

**Figure 18**  
Revenue for institutes of technology and polytechnics, from 2017 to 2019



Source: Data collected from ITPs' annual reports.

## Audit results for 2020

- 8.4 The implementation of the reforms started in 2020. This included disestablishing the ITPs and creating a single entity – Te Pūkenga – that would integrate their functions. The intention was that Te Pūkenga would, over time, include the arranging training function that previously sat with the Industry Training Organisations.
- 8.5 On 1 April 2020, Te Pūkenga began operating and the 16 ITPs became its Crown entity subsidiaries.
- 8.6 The first quarter of 2020 also saw the closure of New Zealand's borders in response to Covid-19. This directly affected enrolments across the tertiary education sector, including at Te Pūkenga. Total EFTS went from 68,945 in 2019 to 66,235 in 2020.

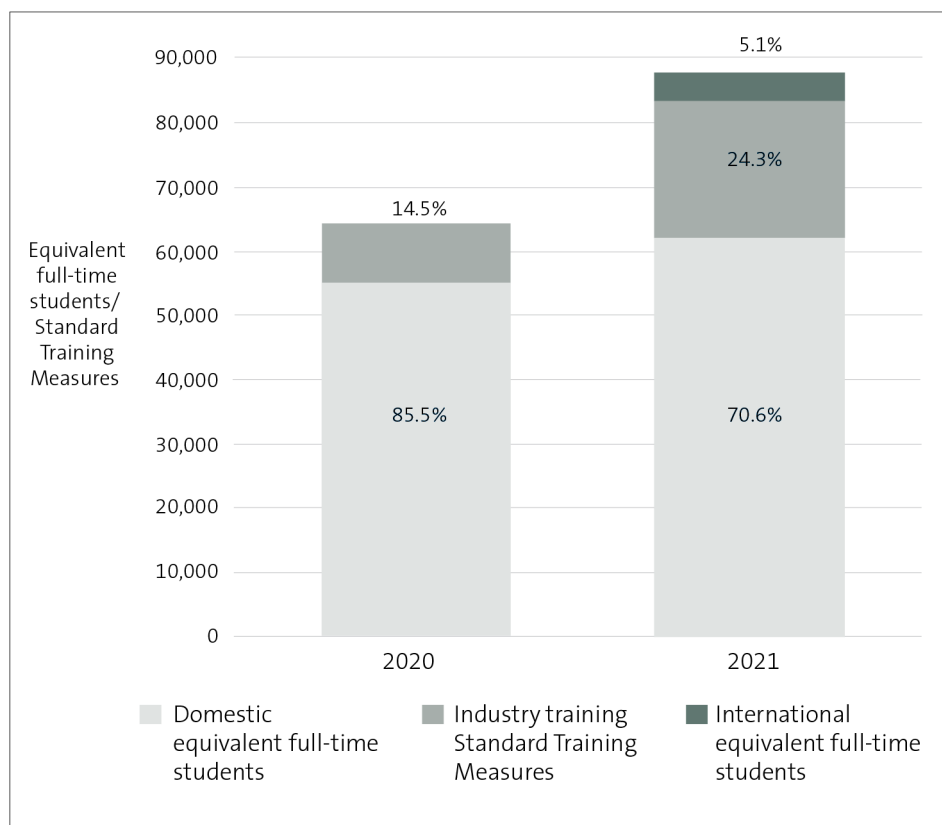
- 8.7 The Government decided not to recover funding from tertiary education providers that under-delivered courses based on volume during 2020 due to the effects of Covid-19. This provided a buffer for TEIs against a worsening financial position, given the reduction in both domestic and international enrolments. For Te Pūkenga, this meant it did not have to return \$57 million to TEC.

### Audit results for 2021

- 8.8 It was a strong year for enrolments across the tertiary education sector in 2021. This was related to direct government support, closed borders, and the continued impact of Covid-19.<sup>40</sup>
- 8.9 There were also further changes at Te Pūkenga. A Crown entity subsidiary called Te Pūkenga – Work Based Learning Limited was created on 1 August. Its purpose was to help transition industry training learners into Te Pūkenga from the Transitional Industry Training Organisations.
- 8.10 Between August and November 2021, three Transitional Industry Training Organisations transitioned into Te Pūkenga – Work Based Learning Limited. They were:
- Competenz (on 2 August);
  - Connexis (on 1 September); and
  - BCITO (on 4 October).
- 8.11 Between August and October 2021, 21,352 Standard Training Measures were transferred to Te Pūkenga. Standard Training Measures are learners in work-based learning environments. This is in contrast to EFTS, which refers to learners in provider-based learning environments such as universities and wānanga.
- 8.12 Figure 19 shows the composition of learners at Te Pūkenga in its first two years of operation.

40 Tertiary Education Commission (2022), *Pūrongo-ā-tau Annual Report for the year ended 30 June 2022*, at tec.govt.nz.

**Figure 19**  
**Equivalent full-time students and Standard Training Measures at Te Pūkenga, from 2020 to 2021**



8.13 The increase in EFTS in 2020 and 2021 and inclusion of the industry training Standard Training Measures in 2021 affected the revenue for Te Pūkenga, which in 2021 was \$1.17 billion. In the previous year it was \$363 million. However, the low level of revenue in 2020 is largely related to the accounting implications associated with a nine-month period of operations.<sup>41</sup>

41 This was for the nine-month period 1 April to 31 December 2020, and also reflects the fact that the revenue received by the previous institutes of technology and polytechnics for the full year was required by generally accepted accounting practice to be recognised by end of the first quarter, 31 March 2020 (the day they were disestablished).

## Conclusion

- 8.14 Te Pūkenga has experienced considerable change to its structure since it was established in 2020. Through this period of change, it has also been affected by the Covid-19 pandemic.
- 8.15 The Covid-19 pandemic has affected enrolment numbers at Te Pūkenga. This has meant additional government support has been required at times, as we saw in 2020.
- 8.16 We know that despite the significant increase to enrolments in 2021, the tertiary education sector experienced reduced demand in 2022. TEIs are experiencing pressure due to reduced enrolments and ongoing waves of illness. For Te Pūkenga, enrolments as at August 2022 had decreased by more than 17% compared to August 2021.
- 8.17 Fluctuating enrolment numbers are not new for TEIs. Because of this, a plan to ensure ongoing financial sustainability is vital for all TEIs, particularly Te Pūkenga.
- 8.18 We have previously noted our concerns at the lack of a detailed plan about how Te Pūkenga will address its underlying financial issues and the need for a sustainable financial plan for its future. We understand this work has been prioritised, and we look forward to seeing the final plan.



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