



Interesting and thought-provoking aspects of the Auditor-General's work and public reports, presented as case studies for teachers and students.

## Wānanga inquiry

Two sets of cultural values collide in the education sector.

### Introduction

Te Wānanga o Aotearoa (TWOA) is a Māori-based tertiary education institution. It has given thousands of people a second chance at education and dramatically boosted Māori participation at the tertiary level.

Between 1999 and 2003, TWOA's student roll rocketed from 1,000 to more than 63,000, making it New Zealand's largest tertiary institution. In 2004, it received \$156 million in government funding. However, this success story was not without controversy.

In 2004 and 2005, a Member of Parliament and the media raised concerns about TWOA's spending of public money. The Minister of Education asked the Office of the Auditor-General (OAG) to investigate.

### What the OAG expects of public organisations

In the OAG's view, organisations in the public sector are very different from private organisations because they receive public money from the government. This makes them accountable to the public for their spending.

The OAG expects public organisations to use public money responsibly, as outlined below. They should be able to explain what they have spent public money on, and why. The guidelines relate to three areas in which the OAG identified poor practice at TWOA.

### Spending of public money

Public organisations should:

- carefully plan, assess and authorise any major spending
- get several quotes from suppliers
- clearly document their assessment and final spending decisions.

See the OAG's good-practice guidelines on procurement (buying goods and services)

## Conflicts of interest

In the public sector, a conflict of interest occurs when a person's private interests could affect their ability to make objective, fair decisions in a public organisation.

Public organisations should:

- promptly identify and declare any conflicts of interest
- consider how the public might view the conflict of interest, even if the people involved are honest and fair
- manage the conflict of interest appropriately.

See the OAG's good-practice guidelines on conflicts of interest

## International travel

Public organisations should:

- clearly document travel plans, approvals, budgets and actual expenses
- use business credit cards for business expenses only, not personal ones
- only use first-class air travel in exceptional situations
- not give cash donations to foreign officials.

See the OAG's good-practice guidelines on sensitive expenditure

## What the OAG found at TWOA

The OAG found practices at TWOA that were unacceptable for a public organisation. It said that the wānanga was continuing to operate like a small private organisation rather than the large public organisation it had grown to be.

### Spending of public money

The OAG found that TWOA usually made business decisions in an informal and oral way, keeping few written records. Big expenses, including the purchase of a hotel, were often based on instinct rather than clear planning and analysis.

The wānanga usually selected contractors in a non-competitive way, without getting quotes from various suppliers. It once unnecessarily (in the OAG's view) contracted costly overseas consultants who were known to the fiancée of the Tumuaiki (Chief Executive).

Some of TWOA's big projects went well over budget. In 2004, its budget for building projects and purchases was \$10.1 million, but it spent \$25.5 million. The wānanga also constructed buildings on land that it didn't own.

## Conflicts of interest

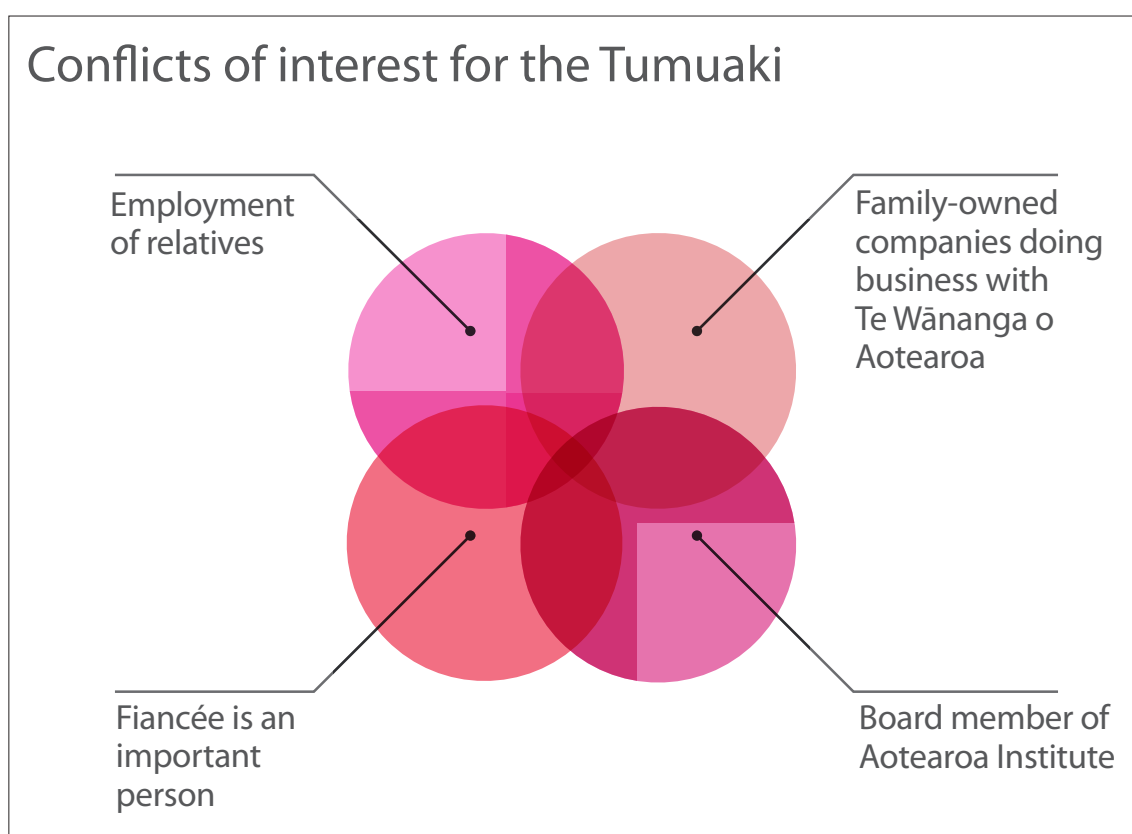
The OAG found many conflicts of interest at TWOA that weren't declared or managed properly.

### *Personal connections*

TWOA often employed or contracted family members – a practice widely seen as risky or involving ‘nepotism’ from a public sector perspective.

- 17 close relatives of the Tumuaki (Chief Executive) worked for TWOA or a company it owned. Two sons were senior managers at TWOA or closely related organisations.
- Three of the Tumuaki’s children and one brother owned companies that did business with TWOA. The value of business with his daughter was around \$50 million over 3 years.
- The Tumuaki’s fiancée was an important contractor to TWOA.

Most of the family members were well qualified for their jobs. However, their positions were not always advertised, and sometimes no other applicants were considered.



### *Relationship with AI Trust*

The OAG said that, as a public organisation, TWOA was too closely linked to the private organisation Aotearoa Institute Trust Board (AI Trust), which had been involved in setting up the wānanga. Many of the same people were in the governing groups of both organisations. Business between the organisations included large sales, leases and loans. Few of these transactions were well assessed or documented.

The OAG said that TOWA depended too much on AI Trust, putting the wānanga at risk if the relationship ever weakened.

## International travel

The OAG found that TOWA had good reasons for its international travel but did not document it well. Many trips didn't have proposals, budgets, approvals or full receipts. TOWA often didn't attempt to reconcile expenses (ensure that final costs matched receipts).

TOWA paid for two international trips that weren't business related. It also paid for the Tumuaki's fiancée to accompany him on many trips, some of them first-class.

The Tumuaki charged some personal expenses to his business credit card. In Cuba, he also withdrew cash from the business credit card, and he gave two cash donations to foreign officials.

## TOWA's response

TOWA and its supporters felt that the OAG's investigation focused too much on negatives. They said it ignored the wānanga's success in furthering the education of people that the mainstream system had failed. Many TOWA employees said that the Tumuaki was a visionary leader and was largely responsible for the wānanga's success.

## Spending of public money

TOWA said that, because it had grown rapidly as an organisation, some spending decisions simply had to be made quickly. Organising quotes and tenders was not always possible.

TOWA also said that spending was always planned and assessed, but usually orally. (In Māori culture, knowledge and ideas have customarily been relayed in oral ways.) It also said that it had been improving its written records and introducing policies to meet government guidelines, but this was a gradual process.

## Conflicts of interest

### *Personal relationships*

TOWA saw the close ties among its employees and contractors as positive. Employees had a strong commitment to TOWA's goals, and quality was never an issue. Also, in the wānanga's difficult early days, many employees had worked long hours for little or no pay.

The wānanga's supporters, including Tariana Turia, co-leader of the Māori Party, pointed to a clash of cultural values. They said that what Pākehā condemned as 'nepotism', Māori respected as 'whanaungatanga' (kinship). Turia said that Māori had wider relationships than non-Māori and that looking after whānau, hapū and iwi was key. Because Māori organisations tended to come under public scrutiny, they were even more likely to employ relatives and others they trusted.

TWOA said that it got better deals on goods and services from family and other known people. The Tumuaki said that a competitive approach to recruitment did not always bring the best results and was not always the best use of time and money, and he said that, in business matters, he was harder on family members than on others.

## Nepotism or whanaungatanga

- Law recognises that employing relatives is risky (Human Rights Act 1993)
- Unfair and limited or no opportunity for others

- Kinship builds business
- Look after whānau, hapū, iwi
- Better deals doing business with family

### *Relationship with AI Trust*

The feeling at TWOA was that the relationship with AI Trust was positive and natural, even though one organisation was public and the other private. The organisations shared a kaupapa (philosophy) and a vision of furthering Māori. People described AI Trust as TWOA's 'parent'. Without its support, TWOA wouldn't have survived its early days, when it had little government support.

### **International travel**

TWOA said that its international travel had been approved, but approval was oral.

It said that one non-business trip was a bonus for high performance. The other was for the death of a relative of the Tumuaki's fiancée and also involved business. His fiancée generally travelled with him not in a personal role but as a contractor to TWOA. First-class travel was sometimes chosen because of the Tumuaki's health.

Though the Tumuaki paid for some personal expenses on the business credit card, he also paid for business expenses with his own money and didn't usually ask for repayment.

The Tumuaki said that bank restrictions in Cuba had forced him to withdraw cash from the business credit card there. Also, in some cases, he wasn't able to get receipts from Cuban companies.

The two cash donations were gestures of goodwill and were mostly his own money, not public money. (The giving of koha, or goodwill gifts, is a valued customary practice among Māori.)

## Student inquiry questions

- Should successful kaupapa Māori organisations have to obey government rules that are largely based on a Pākehā world view?
- Would TWOA have been so successful had it operated according to a Pākehā model?
- Is hiring family members and friends acceptable in a public sector organisation?
- What is the place of customary Māori practices like koha in modern life?
- How important are written records versus oral records?
- Should a competitive model usually be applied to hiring and spending in the public sector?
- How do concepts like whanaungatanga (kinship) show through in other areas of Māori life? Are there parallels in Pākehā contexts?
- Should public organisations fund employees to go to the funerals or tangi of family members?
- Are family and community ties wider for Māori than for Pākehā, or do these ties manifest differently?