



Performance audit report

# Te Puni Kōkiri: Administration of grant programmes





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Photo by Tairoa Flanagan (Workers on a training scheme targeting young Māori at risk of becoming long-term unemployed, which was supported by Te Puni Kōkiri's Capacity Building grants programme.)

# Te Puni Kōkiri: Administration of grant programmes

This is the report of a performance  
audit we carried out under section  
16 of the Public Audit Act 2001

May 2007

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## Foreword

I have committed to a series of annual performance audits of grant programmes managed by public entities. This is to provide assurance to Parliament that grant programmes are well administered, with public funding allocated as intended by the Government. My performance audit of Te Puni Kōkiri is the third in the series.

The focus of my audit was to examine the effectiveness and efficiency of the systems and processes Te Puni Kōkiri uses to administer its grant programmes.

Te Puni Kōkiri has in place some good systems for administering its programmes, although several areas could be improved. For example, there was often not enough information to assess funding proposals to the extent required by Te Puni Kōkiri's own guidelines. Contracts were often signed late in the financial year. In a number of instances, most of the funding was paid early in the contract, making it difficult for Te Puni Kōkiri to manage delivery of objectives. There was little documented evidence that Te Puni Kōkiri monitored progress towards objectives, and little evidence that it reviewed actual expenditure.

My work in completing this series of audits has indicated that grant administration remains an area of concern, and I will continue to look at how the public sector manages such funding arrangements.

I thank the staff of Te Puni Kōkiri for their help during this audit.



K B Brady  
Controller and Auditor-General

11 May 2007

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# Summary

It is important that public entities administering grant programmes award grants in keeping with the Government's intentions, and that recipients spend the funding as planned.

Our performance audit of Te Puni Kōkiri is the third in a series examining how public entities administer grant programmes.

Te Puni Kōkiri administers grant and funding programmes as part of its approach to enabling Māori to succeed as Māori. The programmes support Māori communities, strategies, structures, projects, and enterprises in several ways.

We examined a sample of grants and projects in five programmes, which covered a range of funding support that Te Puni Kōkiri provided between 1 July 2004 and 30 June 2006.

Te Puni Kōkiri administered two of the programmes with funding from its departmental appropriations:

- Kaitātaki-a-Rohe, which funds Māori community development workers; and
- the Māori Business Facilitation Service, which funds business mentors to provide free support and advice to new Māori businesses.<sup>1</sup>

Up until June 2006, the other three programmes we examined were administered using funding from non-departmental appropriations:

- Capacity Building, which provided individual grants that supported Māori organisations to assess their own capacity and encouraged development;
- Local Level Solutions, which funded projects to reduce inequality and improve Māori communities; and
- Whānau Development – Action and Research, which provided funds to carry out research to inform future policy decisions.

These three programmes no longer exist in the same form as when we conducted our audit. However, because we examined Te Puni Kōkiri's administration systems, the recommendations in Part 3 of our report can be applied to the administration of any of Te Puni Kōkiri grant and funding programmes.

## Our findings

Figure 1 summarises our conclusions for each programme that we examined. Te Puni Kōkiri has in place some good systems for administering its programmes. In our view, however, several areas could be improved.

<sup>1</sup> Te Puni Kōkiri considers Kaitātaki-a-Rohe and the Māori Business Facilitation Service to be operational services rather than grant programmes. However, we examined them because they are administered similarly to grant programmes and involve significant amounts of funding.

We assessed the systems of administration as:

- good – systems were in place which would benefit from some small improvements;
- adequate – several improvements could be made to systems; and
- needs improvement – we found areas where significant improvement was required.

**Figure 1**  
Summary of findings for the programmes we examined

	Kaitātaki-a-Rohe	Māori Business Facilitation Service	Capacity Building	Local Level Solutions	Whānau Development – Action and Research
<b>Compliance with Ministerial criteria</b>	Good	Adequate	Good	Adequate	Good
<b>Approval</b>	Needs improvement	Adequate	Needs improvement	Needs improvement	Adequate
<b>Documentation</b>	Good	Adequate	Good	Adequate	Adequate
<b>Monitoring</b>	Needs improvement	Needs improvement	Needs improvement	Needs improvement	Needs improvement
<b>Evaluation</b>	Not applicable*	Adequate	Good	Not applicable*	Adequate

\* Most of the projects were due to be completed in 2007, so it was too early for formal evaluation.

## Compliance with Ministerial criteria

For each programme, Cabinet set out the broad criteria for the programme and Te Puni Kōkiri defined the detailed criteria.

For three of the programmes we reviewed (Kaitātaki-a-Rohe, Capacity Building, and Whānau Development – Action and Research), it was clear that the programmes were designed to meet the Ministerial criteria. All the individual grants that we examined met those criteria.

For the Māori Business Facilitation Service, the process used to appoint business mentors was not clearly aligned to the programme’s objectives, but was focused on the skills and experience required to deliver a mentoring service.

For the Local Level Solutions programme, it was unclear to us from the documentation how some of the projects met all the criteria set by Cabinet. All of the projects we examined were approved by the relevant Ministers.

## Approval process

All the programmes we examined had a clear approval process.

The approval process for the Kaitātaki-a-Rohe, Capacity Building, and Local Level Solutions programmes required Te Puni Kōkiri to assess the applicant's legal status, financial viability, governance and management capability, previous funding history, and the potential for any conflicts of interest.

The assessment process for these three programmes was very detailed, regardless of the value of the grant. Grants ranging from \$1,400 to \$620,000 were assessed the same way. In some of the files, there was not enough documentation to establish how staff had assessed each of these areas, or the assessment was incomplete. We noted in particular that there was not always evidence in the files that Te Puni Kōkiri had assessed either the financial viability of applicants, or the potential for any conflicts of interest.

For the Whānau Development – Action and Research programme, there were clear checklists to confirm that all areas for assessment had been appropriately reviewed. The assessment required much less detail and supporting information than the three programmes above, even though the contracts involved significantly more money.

Te Puni Kōkiri needs to set up a system to assess funding applications that reflects the value and complexity of individual projects. Te Puni Kōkiri's *Operations Manual*, introduced in November 2005, is a useful start. It contains detailed guidelines and requirements for staff assessing applications. However, we were told that regional office staff do not routinely consult the *Operations Manual* because of its detail and length. Creating assessment templates based on requirements in the *Operations Manual* would be a practical way to help regional office staff to adequately assess applications.

Te Puni Kōkiri's Executive Committee discussed all applications for funding. However, the documentation of these discussions was limited.

The Māori Business Facilitation Service had a clear process for assessing applications for funding (received as tender submissions). However, the process needs to focus more clearly on the programme objectives and how contractors will deliver them.

## Documentation

We found enough documentation for the grants we examined to understand what the funding was for, and how the grant objective was to be met. Te Puni Kōkiri had a database that held information for the Capacity Building programme

and Māori Business Facilitation Service. The database contained information on the progress of individual projects, was easy to use, and could be accessed by staff throughout the organisation. Te Puni Kōkiri told us that it was planning to use this database for all its funding programmes in 2007. We support this plan.

Our work identified some administrative problems – for example, instances of contracts that were signed before they were checked by Te Puni Kōkiri’s legal team, and where record-keeping and contract administration needed to be improved.

## Monitoring

We identified several areas where Te Puni Kōkiri’s monitoring systems or practices could be improved.

Te Puni Kōkiri required regional office staff to regularly monitor the progress of funded projects with face-to-face contact and site visits. However, because of the lack of documented evidence (either written or electronic), it was often unclear whether monitoring visits had occurred.

Where visits had been documented, we identified some examples of good practice used by regional offices. These included using standardised monitoring templates to record the project’s progress against intended milestones, and entering information about the contact or visit in the database. These methods ensured that the required monitoring information was regularly collected, and readily available to other Te Puni Kōkiri staff.

All of the five programmes we examined required funding recipients to report on their project’s progress. In some instances, Te Puni Kōkiri required recipients to regularly submit satisfactory progress reports before it would pay the next instalment of the funding. This can be an effective system for both risk management and monitoring the progress of projects.

However, for many of the grants we examined, most of the funding was paid to recipients when contracts were signed. In these instances, Te Puni Kōkiri relied on a relationship-based contracting regime, but often had minimal leverage if there were difficulties with grant recipients meeting contract requirements or submitting progress reports.

We found many instances where recipients did not submit progress reports as the funding contracts required. Te Puni Kōkiri told us that it was moving away from making large initial payments in favour of regular instalments linked to project milestones. In our view, this should improve the effectiveness of Te Puni Kōkiri’s monitoring activities.

For projects funded under the Local Level Solutions and Whānau Development – Action and Research programmes, the contracts we examined were signed late in the financial year. Whānau Development – Action and Research grants also had short contract timeframes. This created problems, as funding recipients struggled to provide progress reports on time to meet contractual deadlines. Reports were submitted late for nearly three-quarters of the grants, usually by about two weeks.

Staff in regional offices were required to assess the progress reports. However, because there was a lack of documented evidence, we were often unable to tell whether the assessment had occurred. In particular, in many instances the reported progress had not been linked to the contract milestones. This included not comparing the project's actual and budgeted expenditure.

Where we found effective contract monitoring, staff were often using standardised templates or checklists to ensure that they monitored all the required aspects of projects. If funding recipients were provided with standardised forms for progress reporting, Te Puni Kōkiri could ensure that it regularly received and monitored the required information about funded projects. This could also reduce compliance demands on recipients, by targeting their reporting to essential information.

The Local Level Solutions programme covered grants spanning 2-3 years. We found little evidence that the overall progress of projects had been assessed at the end of each year, to see whether the projects were achieving the intended outcomes. We found little evidence of considered decisions about whether projects should be funded into the following year.

Under new funding programmes introduced since the start of 2006/07, Te Puni Kōkiri planned to move away from funding short-term projects toward making more longer-term outcome-driven investments. It is important that Te Puni Kōkiri introduce processes for regularly reviewing multi-year funding contracts.

## Evaluation

Te Puni Kōkiri had commissioned reports evaluating its programmes. The findings of these evaluations had been used to inform programme improvements and subsequent funding decisions.

We found little evidence that Te Puni Kōkiri had completed evaluations of individual projects to assess whether or to what extent the community had benefited, given the cost of the projects. In our view, Te Puni Kōkiri should extend its evaluation processes to include the effectiveness of individual projects.

## Our recommendations

### The Kaitātaki-a-Rohe programme

We recommend that Te Puni Kōkiri:

1. create a template to record all the information required to thoroughly assess an organisation's capability to administer the funding for Kaitātaki-a-Rohe positions;
2. monitor progress toward the outcomes for Kaitātaki-a-Rohe defined in the contract, document the regular monitoring visits, and clearly describe actual progress against milestones; and
3. set up a system to evaluate the effectiveness of individual Kaitātaki-a-Rohe grants, ensuring that evaluations are appropriate for the size and complexity of projects, and assess whether project objectives have been met.

### The Māori Business Facilitation Service

We recommend that Te Puni Kōkiri:

4. ensure that future Requests for Proposals require those who submitted tenders to set out how they will meet the objectives of the Māori Business Facilitation Service;
5. review its administrative arrangements for the Māori Business Facilitation Service, and ensure that staff are aware of their responsibilities for checking that invoices are correct and comply with the requirements of contracts;
6. regularly monitor the performance of Māori Business Facilitation Service contractors, document the monitoring, and identify where contract variation needs to be considered if the demand for mentoring services is greater or less than expected;
7. work more proactively with Māori Business Facilitation Service contractors to ensure that their performance meets the requirements specified in the contract; and
8. set up a system to evaluate the individual projects it funds, ensuring that evaluations are appropriate for the size and complexity of projects and consider:
  - the recipient's performance in meeting contract deliverables;
  - how well the recipient managed the project;
  - an evaluation of benefits to the community, compared to the cost of the project;
  - opportunities for improvement; and
  - the potential for future investment.

## All grant and funding programmes

We recommend that Te Puni Kōkiri:

9. create proposal templates that will encourage applicants to focus on the key criteria of programmes;
10. prepare assessment templates for recording the information required to thoroughly assess funding applications, based on the requirements set out in the *Operations Manual*;
11. ensure that the assessment templates are flexible enough for assessments to reflect the value and size of individual projects;
12. document regular monitoring visits using standardised templates to ensure that all the required monitoring information is regularly collected and recorded;
13. provide funding for all its programmes in instalments spread throughout the term of contracts and clearly linked to the delivery of project milestones and reporting requirements;
14. comply with its internal process requirements to ensure that contracts are signed only after legal clearance and before the start of the funded activity;
15. introduce templates to assess and record the progress of funded projects against contract milestones, including a comparison of actual and budgeted expenditure; and
16. review multi-year projects at the end of each year, to assess the extent to which objectives have been achieved, before providing further funding.



# Part 1

## Introduction

- 1.1 This performance audit of Te Puni Kōkiri is the third in our series examining the administration of grant programmes by public entities. The aim of this scrutiny is to provide Parliament with assurance that grant programmes are being administered effectively and efficiently. This includes ensuring that public entities give grants in keeping with the Government's intentions, and that grant recipients spend funding as planned.

### Overview of Te Puni Kōkiri

- 1.2 Te Puni Kōkiri (also known as the Ministry of Māori Development) was set up in 1992 as the Government's principal advisor on Māori issues. It has three main functions:
- advising on government policy affecting Māori well-being;
  - monitoring the effect of government services in Māori communities; and
  - administering funding programmes for community development.
- 1.3 Since 2003/04, Te Puni Kōkiri has pursued a strategic outcome of *Māori succeeding as Māori*. This recognises the importance of Māori achieving a sustainable level of success without compromising what it means to be Māori. Since 2004/05, Te Puni Kōkiri has progressively implemented a policy direction called the Māori Potential Approach to work towards achieving its strategic outcome.
- 1.4 According to Te Puni Kōkiri, the ultimate aim of the Māori Potential Approach is to:
- ... better position Māori to build and leverage off their collective resources, knowledge, skills and leadership capability to improve their overall life quality.<sup>1</sup>*

### How we conducted our audit

- 1.5 Our audit examined whether Te Puni Kōkiri was effectively and efficiently administering its grant programmes, and doing so in keeping with the policy direction set by the Government.

### The programmes we examined

- 1.6 We examined the administrative arrangements in place for five programmes during the 2004/05 and 2005/06 financial years. These programmes were selected from a wide range of programmes administered by Te Puni Kōkiri. They were chosen because they were among the largest programmes by value, and also covered a broad range of programme types.

<sup>1</sup> Te Puni Kōkiri (2006), *Te Puni Kōkiri Statement of Intent 2006/07*, page 10.

- 1.7 Two of the programmes we examined were funded through departmental output expenses.<sup>2</sup> The programmes were:
- Kaitātaki-a-Rohe; and
  - the Māori Business Facilitation Service.
- 1.8 Te Puni Kōkiri does not consider the Māori Business Facilitation Service and Kaitātaki-a-Rohe to be grant programmes. However, we chose to examine them because they:
- received a significant amount of funding; and
  - were managed using similar systems and processes to those Te Puni Kōkiri used for administering grant programmes.
- 1.9 Until the end of 2005/06, Te Puni Kōkiri funded the other three programmes we examined through non-departmental appropriations. The programmes were:
- Capacity Building;
  - Local Level Solutions; and
  - Whānau Development – Action and Research.
- 1.10 From the beginning of 2006/07, Te Puni Kōkiri transferred the funding for these three programmes into three new non-departmental output expense appropriations:<sup>3</sup>
- Whakamana (leadership);
  - Mātauranga (knowledge/skills); and
  - Rawa (resources).
- 1.11 The change sought to align Te Puni Kōkiri funding programmes to the strategic areas identified through the Māori Potential Approach, and move away from funding short-term projects toward funding longer-term outcome-driven projects.
- 1.12 Because of this change, the Capacity Building, Local Level Solutions, and Whānau Development – Action and Research programmes no longer exist in the same form as when we conducted our fieldwork. However, the focus of our audit was to examine the effectiveness and efficiency of the systems and processes Te Puni Kōkiri used to administer grant programmes. Te Puni Kōkiri can still apply the examples of good practice or areas for improvement that we identified in our examination of these programmes to its administration of other funding programmes.

2 Departmental output expenses are costs or expenses incurred by Te Puni Kōkiri in providing a group of similar outputs (goods and services) from within the Vote Māori Affairs appropriations.

3 Non-departmental output expenses are costs incurred by the Crown in buying a group of similar outputs (goods and services) from Crown entities or third parties.

- 1.13 Figure 2 provides a brief description of each of the five programmes we examined, along with their appropriated funding for 2004/05 and 2005/06. Two types of Capacity Building programmes are shown in Figure 2. However, Te Puni Kōkiri has administered these types as a single Capacity Building programme. We have used the same approach with our performance audit.

**Figure 2**  
**Descriptions of, and annual appropriations for, each of the programmes we examined**

	Description	Appropriations \$million (GST-exclusive)	
		2004/05	2005/06
<b>Departmental programmes</b>			
Kaitātaki-a-Rohe	To provide direct support for Māori community development workers.	3.300	3.300
Māori Business Facilitation Service	To provide advice, guidance, and business facilitation services.	2.560	2.560
<b>Non-departmental programmes</b>			
Capacity Building – Assessment	To assist Māori organisations to assess their own capacity.	1.027	1.027
Capacity Building – General	To help Māori organisations and communities to plan their own development.	7.000	7.000
Local Level Solutions	To provide resources to reduce inequalities and develop Māori communities.	4.833	3.706
Whānau Development – Action and Research	To encourage and support initiatives for restoration and rebuilding of whānau to inform Te Puni Kōkiri policy.	7.556	7.895
<b>Total</b>		<b>26.276</b>	<b>25.488</b>

### The individual grants we examined

- 1.14 We selected individual grants from those approved between 1 July 2004 and 30 June 2006. This allowed us to select from a wide range of recent grant applications, while avoiding grants that were administered using processes no longer used by Te Puni Kōkiri.
- 1.15 Funding arrangements for the Kaitātaki-a-Rohe programme and the Māori Business Facilitation Service covered a two-year period. The Local Level Solutions grants spanned 2-3 years. The Capacity Building and Whānau Development – Action and Research grants were awarded each year.

### Our fieldwork

- 1.16 We reviewed documentation and interviewed staff in Te Puni Kōkiri's national office, and at the Auckland (Tāmaki Makaurau), Christchurch (Te Waipōnamu), Gisborne (Te Tairāwhiti), and Hamilton (Waikato) regional offices. We also examined an electronic database used by Te Puni Kōkiri for administering two of the programmes.

### Our audit criteria

- 1.17 The criteria we applied to examine Te Puni Kōkiri's grants were originally prepared for our first performance audit examining the administration of grant programmes – that of New Zealand Trade and Enterprise in 2004.<sup>4</sup> The criteria were subsequently used for the second audit in our series, which examined the Foundation for Research, Science and Technology's administration of grants.<sup>5</sup>
- 1.18 We examined whether:
- there were sound and appropriate policies and procedures in place to ensure that grants were provided in keeping with programme policy objectives;
  - these policies and procedures were being complied with;
  - there was appropriate monitoring of grants as they were paid; and
  - there were appropriate frameworks in place to evaluate the grant programmes.
- 1.19 We expected:
- the assessment, approval, and management of grant applications to be sound, and to comply with well-defined guidelines and procedures;
  - approved grants to be effectively monitored; and
  - grant programmes to be evaluated to see if expected results were being achieved.

<sup>4</sup> *New Zealand Trade and Enterprise: Administration of grant programmes*, ISBN 0-478-18124-8.

<sup>5</sup> *Foundation for Research, Science and Technology: Administration of grant programmes*, ISBN 0-478-181156-6.

## Part 2

# Programmes funded from departmental appropriations

- 2.1 In this Part, we:
- describe the Kaitātaki-a-Rohe programme and Māori Business Facilitation Service; and
  - present our findings from the grants we examined in each of these programmes.

### The Kaitātaki-a-Rohe programme

- 2.2 The Kaitātaki-a-Rohe programme directly supports Māori community development workers (known as Kaitātaki-a-Rohe) within communities. The workers:
- are selected from within, work with, and are accountable to, their communities;
  - work on community-directed development initiatives; and
  - are jointly supported by Te Puni Kōkiri and the community.
- 2.3 The Kaitātaki-a-Rohe programme awards contracts that typically run for a two-year period. Te Puni Kōkiri provides funding to an entity of \$75,000 for each Kaitātaki-a-Rohe each year. This funding helps cover salary costs, car hire, telephone rental, computer leasing, and other administrative costs.

### Our audit sample

- 2.4 We selected a sample of 11 grants, which accounted for 14% of the grants under this programme for 2004/05 to 2005/06. Figure 3 summarises our audit sample.

**Figure 3**  
Our sample of Kaitātaki-a-Rohe grants

	2004/05-2005/06
Number of grants examined	11
<i>Percentage of all grants in the programme</i>	14%
Total value of grants examined	\$1.9m
<i>Percentage of all grants in the programme</i>	20%
Range in value of individual grants examined	\$150,000-\$225,000

### Ministerial criteria for the Kaitātaki-a-Rohe programme

- 2.5 The Kaitātaki-a-Rohe programme started in July 2002. It built on Te Puni Kōkiri's existing development programmes. The Ministerial criteria for the programme is to provide human resources for a two- or three-year period to support:
- community-owned and community-led initiatives responding to local issues; and
  - targeted initiatives responding directly to the needs of whānau, hapū, iwi, and Māori.
- 2.6 All the grants in our sample complied with the Ministerial criteria.

### The approval process

- 2.7 Applications for Kaitātaki-a-Rohe funding are submitted to the relevant regional office of Te Puni Kōkiri. Kaiwhakarite (fieldworkers) in the regional office assess the suitability of the applications.
- 2.8 Applications are supposed to include a job description for the Kaitātaki-a-Rohe position, and details of the planned recruitment process. In the sample of grant files we examined, three of the 11 did not have the job description or details of the recruitment process on file.
- 2.9 The Regional Director then reviews the Kaiwhakarite's assessment and recommendations. Applications assessed after November 2005 might also get reviewed and assessed by a Contracts Advisor in the regional office. This role was introduced by Te Puni Kōkiri from November 2005 to perform contract management and provide an extra level of quality assurance with application assessments and reviews.
- 2.10 Applications recommended by the regional office for funding are then submitted to the national office for Te Puni Kōkiri's Executive Committee to consider.<sup>1</sup>
- 2.11 Appendix 1 summarises the approval process for the Kaitātaki-a-Rohe and Capacity Building programmes.
- 2.12 Te Puni Kōkiri's *Operations Manual* sets out the criteria and steps staff should use to assess Kaitātaki-a-Rohe applications. Some of the grants in our sample were awarded before the *Operations Manual* was introduced in November 2005, and we took that into account when we carried out our analysis. Figure 4 summarises the criteria and assessment steps, and examples of key elements they should cover.

<sup>1</sup> Executive Committee membership might vary occasionally, but usually comprises all Regional Directors, the Deputy Secretary – Relationships and Information, and representatives from some national office business units.

**Figure 4**  
**Assessment criteria for Kaitātaki-a-Rohe applications**

Assessment criteria/step	Key elements to be assessed
Legal status	Checks on status of applicant organisation, including, for example, checks of: <ul style="list-style-type: none"> <li>• certificate of incorporation; and</li> <li>• charitable trusts register or Companies Office.</li> </ul>
Financial management capability	Assessment of financial capability of applicant, including examination of such things as: <ul style="list-style-type: none"> <li>• income statement, cash flow, auditor's reports; and</li> <li>• bank and/or financial statements.</li> </ul>
Governance and management capability	Assessment of a clear separation between governance and management. Includes assessment of such details as: <ul style="list-style-type: none"> <li>• board trustees and their backgrounds;</li> <li>• policies and reporting structure of applicant organisation; and</li> <li>• management background structure and processes.</li> </ul>
Funding history	Examination of previous investment and funding in the applicant organisation to avoid duplication and also to help assess performance ability of the applicant.
Conflicts of interest	Identification of any potential conflicts of interest for either Te Puni Kōkiri employees or members of the applicant organisation.
Proposal assessment	Assessment of proposed projects to ensure that: <ul style="list-style-type: none"> <li>• information about scope and details of the project (including aims and outcomes) is provided;</li> <li>• beneficiaries of planned projects are identified; and</li> <li>• evidence of community support for projects is provided.</li> </ul>
Regional assessment	Regional Directors review proposal assessments, including checking that they support the programme's aims. From November 2005, a Contracts Advisor in regional offices might also perform a quality assurance function, and prepare an appraisal summary of proposals.
National office strategic assessment	National office staff review the proposal and regional office recommendation, checking that all relevant documentation has been obtained.  A strategic appraisal should be done to ensure national consistency of the application process, and alignment with Te Puni Kōkiri's strategies.

Source: Te Puni Kōkiri's *Operations Manual*.

- 2.13 Figure 5 shows the results of our examination of Kaitātaki-a-Rohe grant files against these assessment criteria and steps.
- 2.14 We have used “satisfactory” to indicate where there was enough evidence on file to determine that the criteria had been met, and “unsatisfactory” to indicate where such evidence was lacking.

### Figure 5

#### Kaitātaki-a-Rohe applications: adequacy of the documentation to support Te Puni Kōkiri’s assessments against the programme criteria

Programme criteria	Number of files	
	Satisfactory	Unsatisfactory
Legal status	11	0
Financial management capability	1	10
Governance and management capability	5	6
Funding history	2	9
Conflicts of interest	0	11
Proposal assessment	11	0
Regional assessment*	8	1
National office strategic assessment	0	11

\*Applicable to only nine files.

- 2.15 In the sample of grants we examined, there was not enough evidence on file to thoroughly assess all the funding criteria required about the capability of the organisation and the application it submitted.
- 2.16 The following areas were of specific concern:
- For most of the grants we reviewed, there was no evidence in the file of a financial assessment, although all the files included copies of the most recent audited financial statements.
  - There was little evidence of the funding history of applicants. Where there were details of previous funding, there was no information to indicate whether previous funding was managed well, whether budgets were met, whether objectives were achieved, or whether projects were completed on time.
  - There was no evidence to indicate that conflicts of interest had been considered. Te Puni Kōkiri relies on the Kaiwhakarite’s and Regional Director’s knowledge of the local community to ensure that any conflicts are noted and managed, but there was little supporting evidence in the files.
  - There was no evidence of the national office strategic assessment in the regional files, but the Executive Committee had approved all the applications that we reviewed. Where the Executive Committee initially rejected an

application, it was returned to the regional office for further work and resubmission. We found no evidence of applications that did not eventually result in funding.

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### **Recommendation 1**

We recommend that Te Puni Kōkiri create a template to record all the information required to thoroughly assess an organisation's capability to administer the funding for Kaitātaki-a-Rohe positions.

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### **Documentation**

- 2.17 All the grants we examined were supported by an application, a completed assessment form, a signed contract, and clear payment schedules.

### **Monitoring the Kaitātaki-a-Rohe programme**

#### **Progress reporting**

- 2.18 Payments were spread across the period of the contract, usually in quarterly instalments. There was an expectation that the payments would be made once a formal quarterly report was received. Quarterly reports were assessed by a Kaiwhakarite.
- 2.19 We identified some weaknesses with these progress reports in six of the 11 files that we reviewed:
- It was unclear whether a Kaiwhakarite had assessed the adequacy of the progress report.
  - Progress reports did not report clearly on all the objectives of the role, or reported on objectives that were not part of the contract.
  - There was little evidence that actual expenditure on salary, car hire, and computer leasing was monitored.
- 2.20 In one of these six files there were no quarterly progress reports.

#### **Monitoring visits**

- 2.21 There was documented evidence of regular monitoring for about half of the sample of files we examined. For the other files, there was no documented evidence to indicate that Te Puni Kōkiri staff had carried out regular monitoring visits.
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### **Recommendation 2**

We recommend that Te Puni Kōkiri monitor progress toward the outcomes for Kaitātaki-a-Rohe defined in the contract, document the regular monitoring visits, and clearly describe actual progress against milestones.

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### Evaluating the effectiveness of the Kaitātaki-a-Rohe programme

- 2.22 In our sample of grant files, most of the projects involved were due to finish in 2007. Where they were already complete (for 4 out of 11 files), we found no evidence that individual projects had been evaluated.

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#### Recommendation 3

We recommend that Te Puni Kōkiri set up a system to evaluate the effectiveness of individual Kaitātaki-a-Rohe grants, ensuring that evaluations are appropriate for the size and complexity of projects, and assess whether project objectives have been met.

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- 2.23 Te Puni Kōkiri told us that it evaluated the Kaitātaki-a-Rohe programme in June 2004, and that the evaluation provided information on the programme's achievements and information useful to policy development. We understand that the programme will be evaluated again when the individual projects are complete.

### Māori Business Facilitation Service

- 2.24 The Māori Business Facilitation Service is a business-mentoring service that provides advice, guidance, and business facilitation services essential to building new or existing Māori businesses to increase Māori participation in the commercial sector. There were 12 organisations contracted to Te Puni Kōkiri during the period from July 2004 to June 2006 to provide this service throughout the country. Regionally-based Accredited Business Mentors (business mentors) deliver the service free to individuals and businesses.
- 2.25 This service started in 2000. Te Puni Kōkiri carried out a formal tender process in 2003 to re-tender the business mentor contracts for the following three years. The successful contractors received an annual retainer of between \$40,000 and \$80,000 that was based on the geographical area and the market they covered. They received additional commission payments of between \$250 and \$900 as individual businesses reached milestones within the business mentoring process (for example, completing a business plan).
- 2.26 As we mentioned in Part 1, Te Puni Kōkiri does not consider the Māori Business Facilitation Service to be a grant programme. We chose to examine it with the other programmes because it funds a service which is free to the recipient, and it receives significant funding for business mentoring support. In addition, business mentors apply by submitting a tender for funding to deliver the service, Te Puni Kōkiri monitors the delivery of the service, and the programme is evaluated. In effect, the programme is administered in a similar way to Te Puni Kōkiri's other grant programmes.

## Our audit sample

- 2.27 We selected a sample of half the contracts in effect between 1 July 2004 and 30 June 2006. This covered more than 75% of the funding provided during that period. Figure 6 summarises our audit sample.

**Figure 6**

### Our sample of Māori Business Facilitation Service contracts

	2004/05-2005/06
Number of contracts examined	6
<i>Percentage of all contracts in the programme</i>	50%
Total value of contracts examined	\$3.3m
<i>Percentage of all contracts in the programme</i>	77%
Range in value of individual contracts examined	\$346,000-\$1m

## Ministerial criteria for the Māori Business Facilitation Service

- 2.28 Cabinet agreed that the Māori Business Facilitation Service would assist small to medium-sized Māori businesses with a comprehensive range of business services. These services were:

- *pre-commercial facilitation;*
- *facilitating access to grants/finance;*
- *post-commercial assistance; and*
- *promoting an enterprise culture by assisting Māori business networks.*<sup>2</sup>

- 2.29 Cabinet noted particularly that:

- *the Māori Business Facilitation Service tendering process for potential providers will include contractual requirements that ensure that they can provide a quality service for Māori women; and*
- *the Māori Business Facilitation Service Management Team will:*
  - *develop a database on the participation rate of Māori women within the Māori Business Facilitation Service;*
  - *promote and engage Māori women in regional focus groups; and*
  - *develop strategies to increase networking opportunities for Māori business women.*<sup>3</sup>

<sup>2</sup> *Implementation of the Māori Business Facilitation Service*, Cabinet Committee on Closing the Gaps (GAP (00) 43 dated 3 July 2000).

<sup>3</sup> *Implementation of the Māori Business Facilitation Service*, Cabinet Committee on Closing the Gaps (GAP (00) 43 dated 3 July 2000).

- 2.30 The Māori Business Facilitation Service was structured around a business framework split into eight phases, from assessing the business idea through to business expansion.
- 2.31 The 2003 Request for Proposal document included details of the range of business services to be provided, and requested detailed information about the skills and expertise of the proposed business mentors. It did not include any specific requirements to provide a service for Māori women, although our review of the service delivery and statistics provided by Te Puni Kōkiri indicated that Māori women were involved in almost half of the businesses that received the mentoring service. In addition, Te Puni Kōkiri told us that more than half of its account managers for the Māori Business Facilitation Service were Māori women.

### The approval process

- 2.32 The 2003 Request for Proposal included details of how Te Puni Kōkiri would evaluate the tenders to select contractors to provide a comprehensive service to new and existing Māori businesses throughout the country.
- 2.33 Te Puni Kōkiri assessed the tenders by reviewing the supporting documentation submitted with the tenders and interviewing those who submitted tenders. To award the funding, Te Puni Kōkiri then prepared contracts with the 12 who were successful in their tender bid.
- 2.34 We reviewed the tenders for six of the 12 contracts, and compared the content with the requirements of the Request for Proposal.
- 2.35 All the successful tenders complied with the information requirements. However, the information requested focused on the skills and expertise expected, rather than how the Māori Business Facilitation Service objectives were to be delivered. This made it difficult to link delivery of the contract back to meeting the objectives of the Māori Business Facilitation Service. In our view, monitoring and evaluation would be easier if contractors had clearly set out how they would meet the objectives of the Māori Business Facilitation Service.

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### Recommendation 4

We recommend that Te Puni Kōkiri ensure that future Requests for Proposals require those who submitted tenders to set out how they will meet the objectives of the Māori Business Facilitation Service.

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## Documentation

- 2.36 Electronic records for the Māori Business Facilitation Service were stored in a database. The database recorded the progress of each business involved in the mentoring programme. Business mentors in the regions and staff in the national office could access the database, and it was an effective way to share information.
- 2.37 Reports from the database were also used to support the payment of commissions. Copies of the reports were held in paper files, together with copies of the contract.
- 2.38 We found some errors in the administration of these contracts and the associated payments, including:
- invoices that did not add up correctly were authorised for payment;
  - errors on invoices were noted after authorisation and it was unclear whether they had been resolved;
  - commission payments were authorised that were not supported by the required reports from Te Puni Kōkiri's database; and
  - commissions were claimed and paid for services that were not specified in the contract (although they were relevant to business mentoring).

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### Recommendation 5

We recommend that Te Puni Kōkiri review its administrative arrangements for the Māori Business Facilitation Service, and ensure that staff are aware of their responsibilities for checking that invoices are correct and comply with the requirements of contracts.

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## Monitoring the Māori Business Facilitation Service

- 2.39 Te Puni Kōkiri account managers are responsible for contracts and monitor the Māori Business Facilitation Service on an ongoing basis, including signing off that business mentors have completed each milestone satisfactorily. Account managers also deliver the first three phases of the business framework, and then refer the businesses on to the business mentors. There is regular contact between account managers and business mentors, but much of the monitoring undertaken by Te Puni Kōkiri is not documented. Te Puni Kōkiri showed us annual and six-monthly contract reviews, but did not have documentation to support the ongoing weekly and monthly liaison with business mentors.
- 2.40 For example, one of the performance measures was meeting a client satisfaction level of 95%. The business mentor's quarterly reports included confirmation

that they had reached the required satisfaction level. This was supported by the account manager's knowledge of the service provided, rather than a formal client survey, so there was no supporting documentation.

2.41 Evidence of contract management was limited for the six contracts we examined. We noted that:

- One contractor had delivered more than the contract maximum on some elements of the contract, and was paid an additional \$99,000 during the two years of the contract. The contract variation to support this additional funding was retrospective, and was signed after the contract term was complete and all the payments had been made. We were told by staff that the administration of the contract variation began in May 2006 when the contract still had a month to run. Documentation to demonstrate the ongoing management of this contractor's performance was limited.
- In 2004/05, there was under-expenditure (that is, the contractors delivered fewer services and were paid less money by Te Puni Kōkiri than expected) of \$306,000 in total for five contracts, and \$238,000 in total for four contracts in 2005/06.
- Three contractors delivered less than 55% of the business services required of them in 2004/05 (the first year of the contract). Te Puni Kōkiri staff told us that the performance of these contractors was managed, but there was limited documentation to support this.
- In the second year of these contracts (2005/06), the performance of one contractor improved to deliver 65% of the contract, and another contractor improved to deliver 54% of their contract. The third contractor's performance was worse in 2005/06, with 38% of the contract delivered.
- We noted that Te Puni Kōkiri continued to make the retainer payments throughout the contract period (in total, \$300,000 during the two-year period) for these three particular contractors.

2.42 Te Puni Kōkiri's view is that the performance noted does not equate to poor performance because it does not consider all the contract indicators to be key performance criteria.

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### **Recommendation 6**

We recommend that Te Puni Kōkiri regularly monitor the performance of Māori Business Facilitation Service contractors, document the monitoring, and identify where contract variation needs to be considered if the demand for mentoring services is greater or less than expected.

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**Recommendation 7**

We recommend that Te Puni Kōkiri work more proactively with Māori Business Facilitation Service contractors to ensure that their performance meets the requirements specified in the contract.

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- 2.43 Our audit work was carried out in August to November 2006. Since then, Te Puni Kōkiri staff have introduced spreadsheets to monitor the progress of each Māori Business Facilitation Service contract.

**Evaluating the Māori Business Facilitation Service**

- 2.44 We found limited evidence that individual contracts had been evaluated.
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**Recommendation 8**

We recommend that Te Puni Kōkiri set up a system to evaluate the individual projects it funds, ensuring that evaluations are appropriate for the size and complexity of projects and consider:

- the recipient's performance in meeting contract deliverables;
  - how well the recipient managed the project;
  - an evaluation of benefits to the community, compared to the cost of the project;
  - opportunities for improvement; and
  - the potential for future investment.
- 

- 2.45 External organisations formally evaluated the Māori Business Facilitation Service as a whole twice in 2006. The first, in February, provided preliminary analysis of the Māori Business Facilitation Service in preparation for a more comprehensive outcome evaluation. The second, in August, reviewed performance since the start of the programme.
- 2.46 The second evaluation report identified the strengths and weaknesses of the Māori Business Facilitation Service, and made several recommendations.
- 2.47 Te Puni Kōkiri has an action plan for implementing the evaluation report's recommendations, with allocated responsibilities and defined timetables to monitor progress.



## Part 3

# Programmes funded from non-departmental appropriations

- 3.1 In this Part, we provide an overview and our findings for each of the programmes we examined that were funded from non-departmental appropriations:
- Capacity Building;
  - Local Level Solutions; and
  - Whānau Development – Action and Research.

### The Capacity Building programme

- 3.2 The Capacity Building programme was designed to strengthen the ability of Māori organisations and communities to build strategies, systems, and skills required to control their own development and meet their own objectives.
- 3.3 The programme is funded from two non-departmental appropriations:
- Capacity Building – General; and
  - Capacity Building – Strengthening Management and Governance.
- 3.4 The main aim of Capacity Building – General was to strengthen the ability of Māori communities and organisations to prepare for, and respond to, their own opportunities and challenges. This included supporting the creation and improvement of strategies, structures, systems, and skills to enable Māori to achieve their own development aspirations.
- 3.5 The main goals of Capacity Building – Strengthening Management and Governance were to:
- ensure that Māori organisations involved in delivering government service contracts achieved high quality outcomes and accountability to stakeholders; and
  - contribute to the growth of strong Māori organisations able to meet organisational goals and take advantage of future opportunities, including the reduction of inequalities.

### Our audit sample

- 3.6 We chose our audit sample from Capacity Building applications that Te Puni Kōkiri had assessed and approved for funding between 1 July 2004 and 30 June 2006. There were 611 Capacity Building applications approved for funding during this period. The total combined value of the grants approved was \$10.8 million.
- 3.7 In practice, Te Puni Kōkiri did not differentiate between the two types of Capacity Building appropriations. All applications and grants were simply categorised as Capacity Building. Therefore, our audit sample included a mix of grants from both of the Capacity Building appropriations.

3.8 We examined 75 (12%) of the Capacity Building applications approved for funding. This was equivalent to 29% of the total value of approved funding in the programme during the review period. Our sample included a mix of completed and approved but incomplete projects. Figure 7 summarises our audit sample, and provides a breakdown for 2004/05 and 2005/06.

**Figure 7**

**Our sample of Capacity Building grants**

	2004/05	2005/06
Number of grants examined	43	32
<i>Percentage of all grants in the programme</i>	9%	30%
Total value of grants examined	\$1.8m	\$1.2m
<i>Percentage of all grants in the programme</i>	24%	41%
Range in value of individual grants examined	\$1,400-\$162,500	

**Cabinet and Te Puni Kōkiri criteria for awarding Capacity Building grants**

3.9 Cabinet stipulated in 2000 that the main goals of the Capacity Building programme would be to empower Māori people, organisations, and communities to:

- achieve their goals;
- identify and analyse current strengths and capabilities;
- invest time and effort in fulfilling their own aspirations;
- manage and control their participation in all aspects of society; and
- develop and maintain a constructive relationship with the Government and its departments.

3.10 These Cabinet objectives for the Capacity Building programme were incorporated into Te Puni Kōkiri's own operational guidelines for assessing applications. In addition, Te Puni Kōkiri defined a range of activities that were acceptable for funding, unacceptable for funding, or not normally accepted for funding (see Appendix 2).

3.11 Most (97%) of the Capacity Building grants that we examined complied with the criteria for the programme. In our sample, only two grants did not, in our view, fully meet programme criteria. For one grant, there was approved funding for ongoing operational costs. This involved financing the salary for an administrator in a fixed-term position in the funded organisation. In the second instance, there was evidence of a consultant's fees exceeding the limit of \$100 an hour. Te Puni Kōkiri staff could not get actual costs and budgets from the consultant contracted

by the grant recipient. In addition, this grant involved funding of an event that had been held three years before the grant application was approved. The Executive Committee agreed to the consulting fees and retrospective funding.

### The approval process

- 3.12 The same approval process used for Kaitātaki-a-Rohe applications was used for Capacity Building applications (see Appendix 1). Grant applications were submitted to the relevant regional office and assessed by a Kaiwhakarite. The Regional Director reviewed the Kaiwhakarite’s assessment and recommendations. After November 2005, a Contracts Advisor also reviewed some applications as an added level of quality assurance.
- 3.13 Applications recommended by the regional office for funding were then submitted to the national office for the Executive Committee to consider.
- 3.14 We examined our sample of Capacity Building grants against the criteria and assessment steps contained in the *Operations Manual*. These also applied to applications for Kaitātaki-a-Rohe programme funding – Figure 4 in Part 2 summarises the key elements of the criteria and assessment steps. We took into account the guidelines applying since 2003 for grants in our sample that were approved before the *Operations Manual* was introduced.
- 3.15 Figure 8 summarises the results of our examination of Capacity Building grants. Overall, there was not enough evidence in most of the files to demonstrate that the applications met all the criteria set for the programme. We have used “satisfactory” to indicate where there was enough evidence to make an assessment of the criteria being met and “unsatisfactory” to indicate where such evidence was lacking.

### Figure 8

#### Capacity Building applications: adequacy of the documentation to support Te Puni Kōkiri’s assessments against the programme criteria

Programme criteria	Number of files	
	Satisfactory	Unsatisfactory
Legal status	73	2
Financial assessment	20	55
Governance and management capability	45	30
Funding history*	12	58
Conflicts of interest	16	59
Proposal assessment	74	1
Regional assessment	74	1
National office strategic assessment	0	75

\* Five grants could not be assessed for funding history because they involved new entities.

**Good practice administration systems**

- 3.16 We identified some areas of good practice with how Te Puni Kōkiri staff assessed applications for Capacity Building funding.
- 3.17 Most (97%) of the Capacity Building grants we examined were checked by Te Puni Kōkiri staff at the application stage to ensure that they met the legal status criteria of the programme. In our sample, only two grant files lacked the documentation or evidence that would have confirmed that the legal status of the applicants had been formally checked.
- 3.18 Applications we examined had been consistently assessed by regional office staff to ensure that:
- there was information about the scope and details of the project for which the applicants sought funding (including aims and outcomes);
  - beneficiaries of projects were identified; and
  - community support for projects was evident.
- 3.19 Regional Directors took an active role in the approval process for the grants we examined. They routinely reviewed the assessments of Kaiwhakarite, and endorsed recommendations for funding to go to the national office for consideration. The Executive Committee approved all the applications, although evidence of this was limited.
- 3.20 The Contract Advisor role, introduced in the regional offices from November 2005, provides a useful checking and reviewing role when assessing applications. The purpose of Contract Advisors is to manage contracts and provide an extra level of quality assurance with application assessment and review. Specifically, the *Operations Manual* states that Contract Advisors should (among other tasks):
- provide a regional and strategic perspective to applications;
  - ensure that applications align with Te Puni Kōkiri's national outcomes;
  - support Kaiwhakarite; and
  - ensure that regions apply policies and processes consistently.
- 3.21 We observed an improvement in the scrutiny and assessment of applications where Contract Advisors had been involved. The Contract Advisor role could also provide an effective way for regional offices to ensure that they meet the requirements of the *Operations Manual* for administering grant programmes.

**Areas of concern identified**

- 3.22 We identified some areas of concern with the assessment of Capacity Building grants that were similar to our findings with the Kaitātaki-a-Rohe programme (see Part 2).

- 3.23 In our sample, we found little documented evidence that the financial capability of applicants had been assessed. Files for only 20 of the 75 grants we examined (27%) showed that the financial capability of the applicant organisations had been specifically assessed. Most grant applications we reviewed included financial statements on which an assessment of financial capability could have been based.
- 3.24 It was apparent that regional office staff tried to assess the governance and management capability of applicants. We also acknowledge that the staff often had extensive local knowledge, which was not always documented in application assessments. However, 30 of the files we examined (40%) did not contain information we could use to verify that the governance and management capability of applicants was fully assessed, as required by Te Puni Kōkiri's operational guidelines. The files did not contain, for example, the names and background of key individuals involved in governing or managing applicant organisations, or information on management and reporting structures.
- 3.25 An assessment of the funding history of applicants was seldom evident. We very rarely found information about whether previously funded projects met contractual and reporting requirements or were completed on time.
- 3.26 In 58 of the files (77%), we did not find enough evidence to determine whether potential conflicts of interest had been assessed. However, staff we spoke with indicated that, although undocumented, some conflicts of interest were identified (and action taken).
- 3.27 Capacity Building guidelines in place before the *Operations Manual* was introduced in November 2005 required national office staff to examine the budgets and risk of proposals. The *Operations Manual* now requires national office staff to do a strategic appraisal of applications, which might include checking aspects such as national consistency in the use of processes or the co-ordination of national and regional strategies. We found no documented evidence to enable us to verify whether national office staff performed these checks.

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**Recommendation 9**

We recommend that Te Puni Kōkiri create application templates that will encourage applicants to focus on the key criteria of programmes.

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**Recommendation 10**

We recommend that Te Puni Kōkiri prepare assessment templates for recording the information required to thoroughly assess funding applications, based on the requirements set out in the *Operations Manual*.

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**Recommendation 11**

We recommend that Te Puni Kōkiri ensure that the assessment templates are flexible enough for assessments to reflect the value and size of individual projects.

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**Documentation**

- 3.28 Te Puni Kōkiri used a mix of paper files and electronic records to document approved grants in the Capacity Building programme. All grants we examined had a signed contract on file, although for one contract we were unable to confirm whether it was signed by an authorised person from the recipient organisation.
- 3.29 Some of the regional offices we visited used checklists at the front of their paper files to ensure that all required documentation was kept on file. This is good practice.
- 3.30 Electronic records for Capacity Building grants were kept in a database. This was an effective system for tracking progress of a grant and recording comments by Te Puni Kōkiri staff. It also had the advantage of being more accessible to staff in both the national and regional offices than paper-based records, and encouraged consistency in grant administration throughout Te Puni Kōkiri.

**Monitoring the recipients of Capacity Building grants****Progress reporting**

- 3.31 Te Puni Kōkiri required Capacity Building grant recipients to submit progress reports before they could receive funding instalments. Kaiwhakarite were to assess these reports for progress against planned objectives in the signed contract, and confirm that the grant was being used as intended. Satisfactory progress reports were then to be forwarded to the Regional Director to approve the release of the next instalment of funding.
- 3.32 This system had the potential to be an effective way of monitoring funded projects. However, we identified two shortcomings with how it was administered in practice.
- 3.33 First, for many of the grants we examined, most of the funding was paid to recipients once the contract was signed. This reduced the ability of regional office staff to encourage recipients to meet their contractual obligations and report regularly on the progress of their projects. In the sample we examined, 20% of the progress reports were delivered late. Regional office staff were often required to spend a significant amount of time pursuing information on the progress of some projects.

- 3.34 We understand that Te Puni Kōkiri is moving away from making large initial payments for grants, instead favouring payments scheduled throughout the life of a project. The *Operations Manual* suggests that grants be paid in quarterly instalments or, for simpler projects, paid when deliverables were received.
- 3.35 A second shortcoming we found was the significant variation in the documented assessment and monitoring of progress reports by regional office staff. In particular, in a third of the files we examined there was no linking of reported project progress to required milestones specified in the contracts. This included insufficient comparison of actual project spending to approved budgeted amounts.
- 3.36 In our view, a standard reporting template would be a useful way for Te Puni Kōkiri to ensure that it receives all the information it requires to effectively monitor grant programmes. Such a template would enable grant recipients to record actual costs and outline progress against project milestones. Standard templates also make it clear to grant recipients what information they need to report to Te Puni Kōkiri.

#### **Monitoring visits**

- 3.37 Te Puni Kōkiri expected Kaiwhakarite managing individual grants to maintain regular contact with grant recipients. This included face-to-face visits, which were considered by Te Puni Kōkiri to be a good way of assessing project progress and identifying any emerging issues. The *Operations Manual* stated that a Kaiwhakarite should visit an organisation at least twice during the life of a funded project.
- 3.38 We found mixed evidence of monitoring visits by Kaiwhakarite. In 40% of the files, we were unable to verify whether regular monitoring contact had occurred. However, regional office staff told us that Kaiwhakarite regularly liaised with grant recipients, although this contact was not always recorded either in paper files or in the database.
- 3.39 Where visits had been documented, we found some good examples of effective monitoring. This included some Kaiwhakarite and regional offices using standardised monitoring templates to record actual project progress against intended milestones. Aspects that were going well, or not so well, with projects were also identified as the projects progressed. Entering important information about visits in the database was another useful monitoring technique we observed. This had the advantage of allowing staff in both the regional offices and the national office to monitor the progress of funded projects.

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**Recommendation 12**

We recommend that Te Puni Kōkiri document regular monitoring visits using standardised templates to ensure that all the required monitoring information is regularly collected and recorded.

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**Evaluating the effectiveness of the Capacity Building programme****Individual project evaluation**

- 3.40 Capacity Building grant recipients were required to provide a final progress report on their funded projects. This included self-evaluation information, such as details of how the community had benefited from the funded initiative, and whether the project aims were achieved.
- 3.41 We found self-evaluation information for only 22 of the 60 grants (37%) we examined where the project that had been funded had been completed. There were several instances where a final report had not been delivered. In our view, the ability of regional office staff to encourage grant recipients to deliver progress reports was adversely affected by the large initial payments of grants (see paragraph 3.33).
- 3.42 Withholding the release of a final grant instalment until all reporting obligations had been met would give grant recipients a clear incentive to provide Te Puni Kōkiri with useful evaluation information. In our view, using standardised evaluation questionnaires would improve the value of evaluation data, by aiding reporting consistency and ensuring that Te Puni Kōkiri could collect all the information it needs from grant recipients.

**Programme-level evaluation**

- 3.43 It is important that grant programmes are evaluated to assess their effectiveness in meeting their intended aims. Te Puni Kōkiri has evaluated the Capacity Building programme.
- 3.44 An internal study produced in 2003 used data from interviews, document reviews, and the grants database to evaluate the Capacity Building programme. The study concluded that the programme has had a positive effect on recipients, including advancing their development goals.
- 3.45 More recently, an independently commissioned report released in 2005 evaluated the Capacity Building as part of Te Puni Kōkiri's wider programme to strengthen management and governance among Māori communities. The study focused on successful aspects of the Capacity Building programme for a small sample of grant recipients. Although the study concluded that it was too early to make definitive statements about the outcomes of the programme, it found indications that Capacity Building had helped assist participating organisations to identify their strengths and weaknesses, and find ways to improve themselves.

## Local Level Solutions

- 3.46 The Local Level Solutions programme was set up in October 2000. The programme sought to reduce inequalities while simultaneously developing Māori communities by funding initiatives set up at a local level by whānau, hapū, iwi, Māori organisations, and communities. Cabinet expects that the grants awarded under the Local Level Solutions programme will contribute to education, employment, and enterprise initiatives. As part of the 2004 Budget, Cabinet approved funding of \$3.55 million to extend the Local Level Solutions programme to 2004/05 and beyond.
- 3.47 The grants awarded under this programme funded a number of projects, including:
- setting up an Institute delivering leadership programmes;
  - researching and developing aquaculture;
  - setting up a tourism venture; and
  - developing a home ownership programme.

## Our audit sample

- 3.48 We selected a sample of 16 grants which covered about half the Local Level Solutions grants for the review period. Figure 9 summarises our audit sample and provides a breakdown for 2004/05 and 2005/06.

**Figure 9**  
Our sample of Local Level Solutions grants

	2004/05	2005/06
Number of grants examined	9	7*
<i>Percentage of all grants in the programme</i>	45%	44%
Total value of grants examined	\$1.8m	\$1.6m
<i>Percentage of all grants in the programme</i>	52%	51%
Range in value of individual grants examined	\$100,000-\$620,000	

\* The projects funded by Local Level Solutions grants in 2005/06 were a continuation of the 2004/05 projects, rather than new projects.

## Ministerial criteria for Local Level Solutions

- 3.49 The Ministerial criteria for the fund requires each project to:
- reduce inequalities, particularly for disadvantaged Māori and Pacific people;
  - be initiated and driven by communities;

- be problem-solving in approach;
- be cross-sectoral in approach; and
- demonstrate that it can be evaluated for effectiveness.

3.50 These criteria are reflected in the *Operations Manual*, and we reviewed nine proposals to see whether they demonstrated how they met these criteria. Figure 10 presents the results of our review. We have used “satisfactory” to indicate where there was enough evidence to assess that the criteria had been met, and “unsatisfactory” to indicate where such evidence was lacking.

### Figure 10

#### Local Level Solutions proposals: adequacy of the documentation to support Te Puni Kōkiri’s assessments against the Ministerial criteria

Ministerial criteria	Number of files	
	Satisfactory	Unsatisfactory
Reduce inequalities	4	5
Initiated and driven by communities	4	5
Problem-solving	7	2
Cross-sectoral	3	6
Can be evaluated for effectiveness	4	5

3.51 Overall, the documentation for fewer than half the proposals we reviewed satisfactorily demonstrated how they met the criteria set for the programme. The other proposals we reviewed did not include enough information to demonstrate how they addressed these areas. The relevant Ministers approved all the projects we examined.

### The approval process

- 3.52 Proposals were invited from Māori organisations in each region, and assessed initially by the Regional Directors before being sent to the national office for review. The first 15 proposals were then summarised in a paper for Ministerial approval in April 2005, with a further five proposals approved by the Ministers of Māori Affairs and Finance in June 2005.
- 3.53 Applicants submitted their proposal in the form of a business case. Staff in Te Puni Kōkiri’s regional offices assessed the organisation, then staff in the national office carried out a strategic assessment of the proposal.
- 3.54 We reviewed the files of 16 projects funded by the Local Level Solutions programme from 2004/05 and 2005/06. Where the assessment criteria were

relevant for both years of the project, we considered 16 files; where the criteria were relevant to the individual project, we considered nine files. Figure 11 summarises our findings.

**Figure 11**

**Local Level Solutions proposals: adequacy of the documentation to support Te Puni Kōkiri's assessments against the programme criteria**

Programme criteria	Number of files	
	Satisfactory	Unsatisfactory
Business case	5	11
Legal status	4	5
Financial assessment	1	15
Governance and management capability	5	4
Funding history	1	8
Conflicts of interest	0	9
Proposal assessment	6	10
Regional assessment	2	14
National office strategic assessment	16	0

3.55 For the Local Level Solutions proposals we reviewed, there was not enough information to make a thorough assessment of the capability of the organisation and the proposal submitted.

3.56 The following areas were of specific concern:

- For nearly 70% of the files we reviewed, there was not enough information in the business case to assess the proposal, or there was no business case on the file.
- For most of the files we reviewed, there was no evidence of financial assessment, although most of the files included copies of the most recent audited financial statements.
- There was little evidence of the funding history of the applicant. Where there were details of previous funding, there was no information to indicate whether the previous funding had been managed well, whether budgets were met, whether objectives were achieved, or whether projects were completed on time.
- There was no evidence to indicate that conflicts of interest had been considered. Te Puni Kōkiri places reliance on the Kaiwhakarite's and Regional Director's knowledge of the local community to ensure that any conflicts are identified and managed, but there was little supporting evidence on the files.

- About half of the proposals did not include enough information to complete the proposal assessment, or there was no evidence of proposal assessment on the files.
  - In most instances, there was no evidence of the regional office assessment on the files.
- 3.57 The proposals received Ministerial approval in April and June 2005, so the Local Level Solutions contracts started late in the 2004/05 financial year. Organisations signed the contracts in May and June 2005 to run until April and May 2006.
- 3.58 We were told that this delay was caused by a restructure at Te Puni Kōkiri, which affected the resources available to administer the programme. In previous years, the Local Level Solutions funding required approval by Cabinet, but in 2004/05 Cabinet delegated this responsibility jointly to the Minister of Māori Affairs and the Minister of Finance.
- 3.59 Staff at Te Puni Kōkiri explained to us that Te Puni Kōkiri had been criticised in the past for carrying funding forward into future years, so was under pressure to spend the Local Level Solutions funding within the financial year. Because the contracts were agreed in May 2005, Te Puni Kōkiri split the funding into two payments, paying 80% when the parties signed the agreement and 20% when Te Puni Kōkiri received a project plan, usually about six weeks later.
- 3.60 In 2005/06, the contracts were agreed at the end of June 2006, so all the funding was paid when the entities signed the contracts.
- 3.61 The Local Level Solutions funding in previous years had reflected a firm commitment to multi-year funding. In 2004/05, Te Puni Kōkiri changed this approach to an annual funding arrangement, although there was an expectation that the projects would be significant in size and would require funding in future years.
- 3.62 Te Puni Kōkiri intended to exert greater control by having the opportunity to make funding decisions each year as the project progressed. However, paying all the funding early in the contract, rather than linking payments to deliverables throughout the contract term, gave Te Puni Kōkiri little leverage if there were difficulties delivering the contract outcomes. A number of projects did not meet the objectives of the contract, and Te Puni Kōkiri had limited options available to resolve this.

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**Recommendation 13**

We recommend that Te Puni Kōkiri provide funding for all its programmes in instalments spread throughout the term of contracts and clearly linked to the delivery of project milestones and reporting requirements.

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## Documentation

- 3.63 All the grants were supported by a signed contract. However, for more than 60% of the sample, the information on the files indicated that the contracts were not reviewed by the legal team until after the contracts were signed and project activity had begun.
- 3.64 Other areas of weakness in the documentation for the Local Level Solutions programme are discussed in paragraphs 3.56 and 3.65-3.69.

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### Recommendation 14

We recommend that Te Puni Kōkiri comply with its internal process requirements to ensure that contracts are signed only after legal clearance and before the start of the funded activity.

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## Monitoring Local Level Solutions

### Progress reporting

- 3.65 Documented evidence of monitoring was limited, and it was difficult to establish what progress had been made towards the outcomes defined in the contract.
- 3.66 Our review of nine individual projects identified these concerns:
- submission of project plans and progress reports was not always timely;
  - assessment and monitoring of project risks was brief; and
  - contract outcomes were not met in a number of instances.
- 3.67 There was also limited evidence that Te Puni Kōkiri assessed overall progress when the first year of projects was complete, to indicate whether individual projects achieved the expected aims and merited a continuation of funding into 2005/06. The review of 2004/05 focused on the entity's ability to continue the project into 2005/06, rather than a clear assessment of whether the objectives for 2004/05 had been achieved.
- 3.68 For 45% of the grants we examined, there was no detail of actual expenditure or evidence that activity was compared with the initial budget during the progress of projects.
- 3.69 For five grants, we were unable to confirm that funding, ranging from \$32,000 to \$120,000, had been used to deliver the project. There was limited information in the documentation available for three of these grants to indicate how Te Puni Kōkiri had dealt with this. For another, the funding for 2005/06 was reduced by \$50,000 because of the amount not spent in the first year. For the fifth grant,

information in the file indicated that Te Puni Kōkiri had approved the spending of \$47,000 to fund the grant recipient's administration costs rather than the project.

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#### **Recommendation 15**

We recommend that Te Puni Kōkiri introduce templates to assess and record the progress of funded projects against contract milestones, including a comparison of actual and budgeted expenditure.

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#### **Recommendation 16**

We recommend that Te Puni Kōkiri review multi-year projects at the end of each year, to assess the extent to which objectives have been achieved, before providing further funding.

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### **Evaluating Local Level Solutions**

- 3.70 When the 2004/05 Local Level Solutions programme started, Te Puni Kōkiri intended to create an evaluation framework. The evaluation framework was not set up.
- 3.71 Most of the projects we reviewed were due to be completed in 2007, so it was too early for formal evaluation of this particular three-year programme.

### **Whānau Development – Action and Research**

- 3.72 The aim of the Whānau Development – Action and Research programme was to support whānau-led initiatives that would contribute to improving social, economic, or cultural development of the whānau. The programme was used to test a hypothesis that the whānau is the core unit of Māori society and that strengthening it would therefore help support wider Māori development.
- 3.73 It was intended that the Whānau Development – Action and Research programme would improve understanding and enhance relationships between the government and Māori, and enable policy and operational learning to inform ongoing policy advice. Te Puni Kōkiri's Policy Team administered the Whānau Development – Action and Research programme, so it was outside the scope of the *Operations Manual*.

### **Our audit sample**

- 3.74 We selected a sample of 23 grants, which covered about a third of the Whānau Development – Action and Research programme during the two-year period from July 2004 to June 2006. Figure 12 summarises our audit sample and provides a breakdown for 2004/05 and 2005/06.

**Figure 12****Our sample of Whānau Development – Action and Research grants**

	2004/05	2005/06
Number of grants examined	12	11
<i>Percentage of all grants in the programme</i>	38%	21%
Total value of grants examined	\$2.3m	\$1.7m
<i>Percentage of all grants in the programme</i>	42%	22%
Range in value of individual grants examined	\$92,000-\$420,000	

**Ministerial criteria for Whānau Development – Action and Research**

- 3.75 The aim of the funding was to encourage innovative locally- or regionally-based initiatives aimed at strengthening whānau. A particular focus was placed on restoring and healing whānau, and funding initiatives that would strengthen whānau capacity to contribute to social, economic, and cultural development.
- 3.76 All 23 grants we examined met the Ministerial criteria.

**The approval process**

- 3.77 Regional Directors and the national office's Policy Team nominated entities to participate in the programme. They invited these entities to submit an expression of interest to carry out action-based initiatives and research about interventions defined by the Policy Team.
- 3.78 The contract timetable was tight in 2004/05, with most contracts agreed in April 2005 and final reports due in June 2005. For the contracts agreed in 2005/06, the contracts were agreed in March 2006, and final reports were due in June 2006. Te Puni Kōkiri selected entities that could manage the level of funding provided and produce reports within the required timetable.
- 3.79 Te Puni Kōkiri assessed the capability of organisations by completing short and simple checklists covering financial viability, capability, governance arrangements, and conflicts of interest. Te Puni Kōkiri's Relationship Management Team completed these checklists during a discussion with the funded entity. The checklists required less detail and supporting information than the Capacity Building projects, even though the contracts were for significantly more funding.

**Documentation**

- 3.80 All 23 of the grants we reviewed were supported by an expression of interest, an assessment of the entity's capability, and a contract that included a detailed specification for each of the reports required. Funding was split into three or four

payments, with the first payment made when the agreement was signed and the remaining payments made when written reports were received.

- 3.81 In four instances, the contract parties signed the agreement before Te Puni Kōkiri's legal team had checked the contracts.
- 3.82 In our sample, Te Puni Kōkiri had varied three contracts to increase the contract value. An internal memorandum dated 26 April 2005 indicated that, in all, eight contracts from the programme were increased to redistribute uncommitted funding of \$726,000 and to enhance the deliverables and outcomes achievable by 30 June 2005.
- 3.83 One project received additional funding of \$45,000 to add another intervention to the project, one an additional \$50,000 to double the volume of the intervention, and the other an additional \$15,000 to carry out self-evaluation. It was unclear from the grants we examined whether the additional activity had been completed by the time the contract terms had expired.
- 3.84 Te Puni Kōkiri provided funding to six organisations for a specific research project as part of the overall Whānau Development – Action and Research programme about Māori organisations working with government departments. Three of these grants were part of our audit sample.
- 3.85 Te Puni Kōkiri provided a spreadsheet which showed that the budget for each organisation was initially based on an assessment of the number of days to complete each stage, using a daily rate of \$1,000. This spreadsheet gave an initial contract amount of \$200,000 for each organisation. This included an initial payment of \$50,000, but it was unclear how this \$50,000 was calculated (although Te Puni Kōkiri staff we spoke with understood it to be a set proportion of the whole contract), or what it was for. The contract amount was subsequently increased by \$30,000 to \$230,000 for each organisation, and the initial payment was increased to \$60,000. Te Puni Kōkiri was unable to provide us with the documentation to support these changes.

### Monitoring Whānau Development – Action and Research

- 3.86 Details of monitoring visits were available for 64% of the grants we reviewed. There was also documented evidence that progress reports had been formally assessed for about half of the grants we reviewed, although in some instances the assessment was limited and was difficult to match to the contract specification. In two instances, it was unclear who had completed the assessment (Te Puni Kōkiri or the entity).

- 3.87 For 41% of the grants we reviewed, there was no documented evidence to indicate that the progress reports and final reports had been assessed to ensure that they were of an appropriate standard and met the contract requirements. Reports were submitted late for nearly three-quarters of the grants, usually by about two weeks.
- 3.88 Actual expenditure was noted in five of the 23 grants we reviewed. For four of these, the funding was under-spent (ranging from \$11,000 to \$52,000). The fifth file indicated that the project had cost \$8,000 more than the initial budget. There was no information for any of these grants to indicate how the variances were dealt with. Te Puni Kōkiri told us that it was addressing these issues.
- 3.89 There was no documented information about the identification, assessment, monitoring, and management of risks with more than half the grants we examined. For the other grants, evidence was limited to the identification of risks.

## Evaluating Whānau Development – Action and Research

### Individual project evaluation

- 3.90 In the sample of grants that we examined, there was no evidence that individual projects had been evaluated.

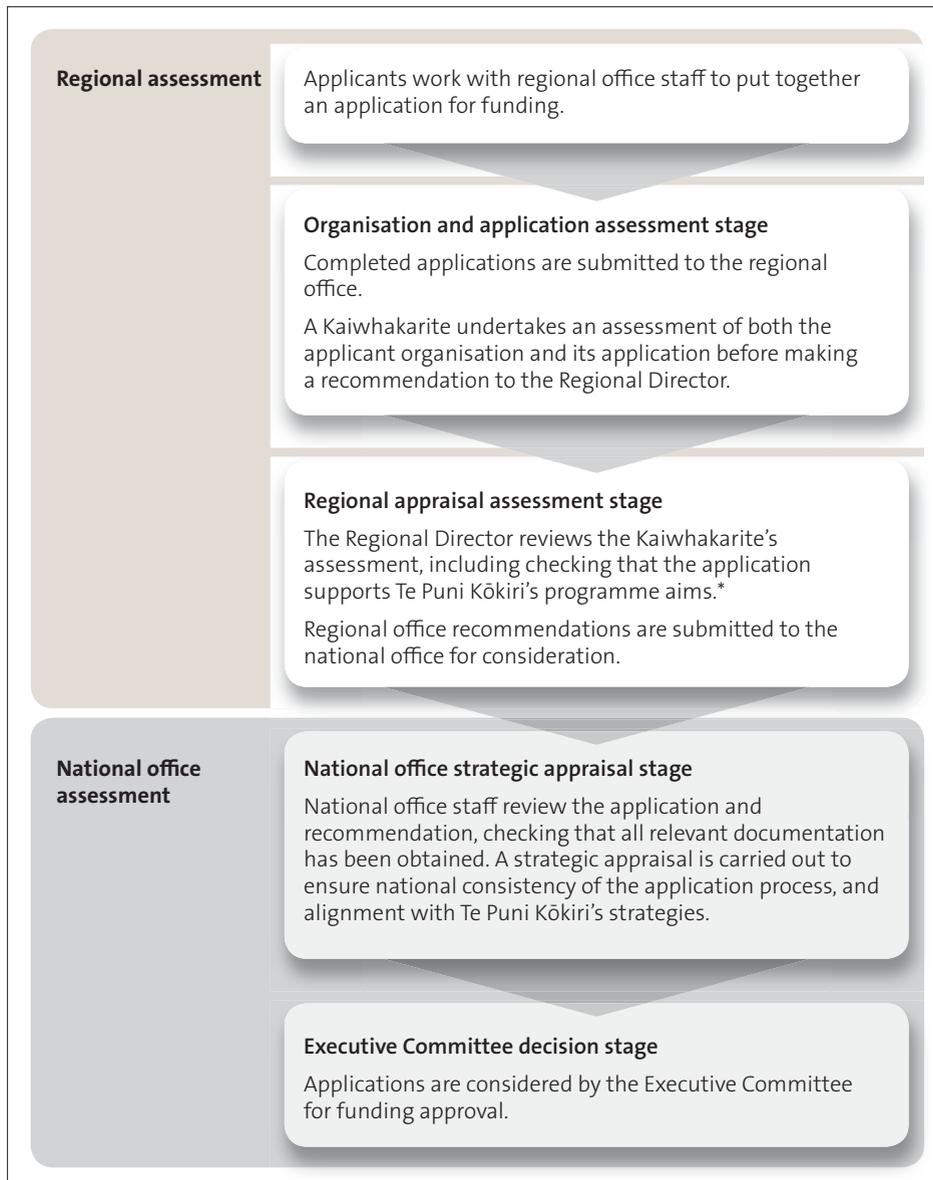
### Programme-level evaluation

- 3.91 Te Puni Kōkiri has completed a number of briefings to the Minister about the Whānau Development – Action and Research programme and the cumulative findings, policy, and operational implications arising from 2004/05 and 2005/06.
- 3.92 At the time of our fieldwork, Te Puni Kōkiri was working on a report about the Whānau Development – Action and Research programme. The report was due to be issued in May 2007, and would be shared with the organisations involved in the programme. The report was expected to provide the objectives, approach, methodology, findings, and policy implications of the research.



# Appendix 1

## Approval process for the Kaitātaki-a-Rohe and Capacity Building programmes



\* Since November 2005, a Contracts Advisor might also prepare an appraisal summary and review assessments.



## Appendix 2

# Programme criteria for Capacity Building grants

### Acceptable for funding:

- contracting or employing a co-ordinator to assist a Māori organisation to create and put in place capacity building initiatives;
- funding costs for managing and introducing a capacity building initiative;
- contracting specialist advice, such as legal, financial, technical, report writing, and research expertise; and
- establishing legal entities, financial systems, and other operational systems.

### Unacceptable for funding:

- purchase of capital items (such as computers, furniture, buildings, and vehicles);
- the funding of on-going costs related to the normal operation of an organisation (such as salaries and rent);
- projects already eligible for other government funding;
- payment of an organisation's existing debts, or for use as security for a loan; and
- overseas travel and costs.

### Not normally accepted for funding:

- food for hui or wānanga;
- domestic travel;
- consultancy fees greater than \$100 an hour; and
- other items as determined by Te Puni Kōkiri's Executive Committee.







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