



**Predator Free 2050 Limited**  
Review of Budget 2020 and Jobs for Nature

August 2021

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## Executive Summary

### Our review

The purpose of this review was to focus on the target outcomes expected from Predator Free 2050 Limited (“PF2050 Ltd” or “the Company”) as a result of the funding received from Budget 2020 (known as the ‘Jobs for Nature’ funding). All of the work performed, and results documented below is in relation to the Jobs for Nature funding provided to PF2050 Ltd. The wider Jobs for Nature funding is not considered, unless specifically commented on. Target outcomes for PF2050 Ltd include the number of projects, job creation, co-funding and hectare coverage. Evidence was sourced from interviews and documents but there were challenges in determining fact due to limited or restricted documentation, and the passage of time. Our conclusion includes suggested next steps. Further detail must be considered going forward and is beyond the scope of this review. PF2050 Ltd is part of a wider ecosystem, and therefore detailed next steps must consider this.

### The Company

PF2050 Ltd was incorporated as a Crown company under Schedule 4A of the Public Finance Act 1989 on 30 November 2016, it was registered as a charity on 31 March 2017. Part of the purpose and function of PF2050 Ltd is:

- to identify, invest in, and monitor, regionally significant predator control and eradication projects that offer significant conservation benefits;
- to provide advice to project consortia to support the development of technically feasible and financially sound predator control and eradication projects;
- to attract financial and non-financial resources for predator control and eradication projects, and for research into predator control and eradication tools and techniques; and
- to promote support for, and involvement in, predator control and eradication in conjunction with other organisations.

### Overall funding model and project set-up

Whilst PF2050 Ltd’s overall funding model is out of scope for this review it is important to understand the funding model that PF2050 Ltd utilises. PF2050 Ltd use a deliberate strategy of contracting certain obligations to third-party entities that undertake predator control and eradication projects. Consequently a high-trust model is followed, with PF2050 Ltd relying on information received from third-party entities to report on outcomes. Although we do refer to the operating structure and the high trust contract model in our review, we do not provide any opinion on the effectiveness of this model as it is outside the scope of our review. This report should be considered along with the broader work that MartinJenkins is undertaking to review the organisational structure.

### Historical funding

PF2050 Ltd has received three core funding lines from the Crown during the past four and a half years. These have been, Vote Conservation funding, the Provincial Growth Fund (PGF), and \$76 million from Jobs for Nature. Each of the funds have different terms and requirements. This report focuses only on Jobs for Nature funding and the associated expectations.

### 2020

PF2050 Ltd had a stable management team during the initial three and a half years of operations. Since the beginning of 2020 there have been significant changes within the Company (change in Chief Executive and departure of the Chair and two directors) and a change of Government. From June 2020, the Crown monitoring function within DOC was also refreshed. It also cannot be forgotten (and it was the reason PF2050 Ltd received the Jobs for Nature funding) that COVID-19 was declared a global pandemic on 11 March 2020, with New Zealand entering into a nationwide lockdown at midnight 25 March 2020 which lasted 6 weeks. This was a time when the country was entering the unknown, and decisions had to be made based on the circumstances at the time.

## Terms of reference

The table below outlines the work performed and results in accordance with our Terms of Reference. This informs our 3 Key Findings, and Conclusions and Next Steps.

Objective	Work performed and results
<p><b>Objective 1 (Terms of Reference paragraph 22):</b> Obtain a clear understanding of the authorising environment and formal documentation that govern and specify what is expected of the Company in respect of Cabinet's expectations and Budget 2020 Jobs for Nature programme obligations and outcomes, including co-funding and specific funding criteria and requirements. This includes reviewing all in-scope information and reports.</p>	<p>After significant time and investigation (based on interviews of relevant individuals, and review of relevant documentation) we were able to obtain an understanding of Cabinet's expectations and the Jobs for Nature programme. Detailed expectations were based on PF2050 Ltd's November 2019 pre-COVID proposal for a Budget Bid, as well as email communication in March 2020 in relation to estimated job creation numbers. Based on these two documents Cabinet's expectations were as follows:</p> <ul style="list-style-type: none"> <li>• Creation of jobs (500)</li> <li>• Co-funding (2:1)</li> <li>• New large-scale predator control projects over four years projects (15) and extension of current projects (5)</li> <li>• Hectare coverage of 2,170,000 ha.</li> </ul> <p>Refer to Key Finding (1) below for a description of the issues noted with respect to the lack of clarity in communication of these expectations. This is a critical finding as these detailed expectations lay the foundation for actual and forecast reporting.</p>
<p><b>Objective 2 (Terms of Reference paragraph 23):</b> Develop an assessment method to evaluate the Jobs for Nature programme key financial and non-financial information, approach, and methods. Have regard to inherent risks and concerns raised by the Department.</p>	<p>Detailed discussions were held with nominated personnel from PF2050 Ltd to understand their processes in relation to the key financial and non-financial reporting required for the Jobs for Nature funding. We were able to develop a methodology to evaluate this reporting. Refer to the work performed and results in Objective 4 below, where we were limited in our ability to undertake detailed validation work, which then constrains our ability to evaluate the Jobs for Nature key financial, and non-financial information, approach, and methods.</p>
<p><b>Objective 3 (Terms of Reference paragraph 24):</b> Obtain a briefing from the company to understand relevant governance and management practices that underpin their Budget 2020 funding bid and managing the achievement of the outcomes contracted for. This also includes understanding and assessing the sourcing, preparation and reporting of the Jobs for Nature programme outcomes, including approach, methods and assumptions underpinning the company's actual and forecast reporting and co-funding.</p>	<p>An initial briefing was held with management, and the Board of the Company, and was followed by one-to-one interviews. This included relevant individuals that were part of management or the Board at the time the Jobs for Nature funding was received, and are no longer part of PF2050 Ltd. In addition, we reviewed relevant documentation (such as board minutes) to enable our understanding of relevant practices, roles and responsibilities.</p> <p>PF2050 Ltd is a lean organisation (as required by the Company's strategy), and as per its funding model contracts third parties to undertake projects. As a result of the Jobs for Nature funding the Company increased its team size from 6.5 to 9.5 people. PF2050 Ltd receives regular project reporting (on a monthly, quarterly and annual basis) and reviews this information. The Company also undertakes regular site visits to check the status of the projects. However, PF2050 Ltd do not undertake processes to verify the reporting in relation to Jobs for Nature. Whilst PF2050 Ltd compile and analyse the outcome reporting from the projects significant reliance is placed on third parties for the completeness and accuracy of the outcome reporting.</p> <p>The main issues and challenges relate to the expected outcomes, and are as follows:</p> <ol style="list-style-type: none"> <li>1) A lack of clarity in terms of expectations (refer Key Finding (1) below), as these detailed expectations form the baseline for actual and forecast reporting.</li> </ol>

Objective	Work performed and results
	<p>2) The funding model places reliance on third parties. Whilst this is supported by contracted obligations it creates an extra layer of complexity and risk (it should be noted that this challenge needs to be weighed against the benefits of this model, and should not prevent complete and accurate outcome reporting).</p>
<p><b>Objective 4 (Terms of Reference paragraph 34)</b>            Validate, compare and contrast relevant information (and underpinning assumptions / methods) reported by the company, to its primary records (and supporting organisational processes), and against Cabinet’s expectations, Budget 2020 outcomes and other authoritative requirements. Analyse, and evaluate the information examined to determine the accuracy of the reporting and conclusions reached about the company’s current and forecast performance in relation to Budget 2020 outcomes.</p>	<p>Reliance on information provided by projects has meant it has not been possible to validate information to primary records. PF2050 Ltd does not obtain primary records from the projects, and it was deemed inappropriate by both PF2050 Ltd and DOC to request such information from the Projects for the purposes of this report at this time.</p> <p>Only limited procedures could be performed, which involved reviewing the reporting obtained by PF2050 Ltd from the projects, and the subsequent reporting that was provided to DOC. In addition we held detailed discussions with relevant personnel at PF2050 Ltd, as well as representatives of a sample of the projects that are currently underway. The results of this are included below in Objective 5.</p>
<p><b>Objective 5 (Terms of Reference paragraph 35)</b>            Ascertain the nature and extent of any issues from the above validation, including what is achievable and where required, the assessment / quantification of relevant outcomes information.</p>	<p>Based on the constraints noted in Objectives 3 and 4 only limited work could be undertaken on the validation of the outcome reporting. The main issues identified are as follows:</p> <ol style="list-style-type: none"> <li>1) <b>Project reporting.</b> One project has been identified where the same jobs created have been reported by both PF2050 Ltd, and by another Jobs for Nature funding scheme (funded directly through DOC). Prior to this issue being identified, written confirmation was obtained by PF2050 Ltd from the project that the jobs reported to PF2050 Ltd were not being reported to other funders. DOC signed their contract in relation to this project after PF2050 Ltd had received this written confirmation. No further detailed verification procedures were undertaken by PF2050 Ltd in relation to this matter, and due to the scope of our review no work has been undertaken to determine what (if any) procedures were undertaken by DOC prior to signing this contract.</li> <li>2) <b>Data integrity.</b> The outcome reporting for March 2021 and February 2021 had to be re-submitted due to PF2050 Ltd originally not using the correct reporting template. When the revised reporting was submitted (on 18 May 2021), PF2050 Ltd adjusted the historical job numbers as it was recognised some of these had been overstated in the previous reporting. While it was an issue PF2050 Ltd identified themselves it took a number of months and no controls prevented the initial error.</li> <li>3) <b>Contract terms.</b> Contracts have been signed for long-term projects, which prima facie do not meet the outcomes expected by Cabinet. For example a number of projects have been signed on a 1:1 co-funding basis (with best endeavours to obtain a higher co-funding level). It must also be noted that these were signed post communications that indicated to PF2050 Ltd that 1:1 co-funding was appropriate.</li> </ol> <p>Due to the issues identified in this report it is not possible to comment on what is achievable, and we refer to Key Finding (1) and suggested Next Step (1) below.</p>



## Key Findings

This section summarises three key findings as a result of the work undertaken in accordance with the Terms of Reference for the review, as well as our Conclusions and Next steps.

Key Finding	Description
1) <b>Clarity of expectations and reporting on outcomes for Jobs for Nature</b>	<p>The high-level outcomes expected of PF2050 Ltd by Cabinet were the creation of jobs, requirement to obtain co-funding, acceleration / establishment of projects, and hectare coverage, with a particular focus on job creation. More detailed expectations were based on PF2050 Ltd's November 2019 pre-COVID proposal for a Budget Bid, as well as email communication in March 2020 in relation to estimated job creation numbers. Whilst there is alignment of understanding between relevant parties (Cabinet, DOC, and PF2050 Ltd) in relation to the high-level expected outcomes of the funding there has been misalignment in relation to detailed expectations. This has been caused by the following:</p> <ul style="list-style-type: none"> <li>• Lack of clarity provided to PF2050 Ltd in terms of what documentation was submitted as part of the Budget Bid process. PF2050 Ltd had thought that a later document titled "Predator Free jobs for the post-COVID economic stimulus April 2020" was included in Cabinet considerations, but it had not.</li> <li>• An initial disconnect in relation to the level of outyear funding with PF2050 Ltd expecting a further year of funding (confirmed as being 4 years on 11 June 2020).</li> <li>• Lack of clarity in relation to key definitions for what a job constituted, the levels of co-funding required, and what should be included in co-funding.</li> </ul> <p>The lack of clear and common understanding led to a significant amount of debate between PF2050 Ltd and DOC in the last year to the extent that PF2050 Ltd sought external legal advice in April 2021 in relation to co-funding, and sought external assistance to examine its reporting on jobs to DOC in order to manage their obligations and risk.</p>
2) <b>Relevant governance, practices and controls in relation to Jobs for Nature</b>	<p>PF2050 Ltd use a deliberate strategy of contracting certain obligations to third-party entities that undertake predator control and eradication projects. Milestones are included in the project contracts, and if these are not met PF2050 Ltd can (and have) removed their funding. This enables a high-trust model to be followed but does mean reliance is place on information received from projects to report on both the outcomes achieved and forecasted.</p> <p>PF2050 Ltd receives regular project reporting (on a monthly, quarterly and annual basis) and reviews this information. The Company also undertakes regular site visits to check on the status of the projects. However, PF2050 Ltd do not undertake detailed verification processes on the reporting. We would expect relevant and appropriate processes and controls (including sample testing to source documentation) to be undertaken such that PF2050 Ltd has assurance that the reporting they obtain is complete and accurate.</p>
3) <b>Reliability of outcome (jobs and co-funding) reporting</b>	<p>At the time of this report the outcome reporting cannot be verified. This was due to:</p> <ul style="list-style-type: none"> <li>• PF2050 Ltd not having relevant and appropriate processes and controls (such as sample testing to source documentation) in place that can be followed such that we could verify the reported numbers.</li> <li>• The projects being externally contracted. During our review it became clear that obtaining underlying evidence for the outcome reporting would be challenging due to projects being their own entities with limited resources, that would require approval from their board of directors to release information.</li> </ul> <p>On this basis and agreed with DOC, further evidential information from the projects outside of what PF2050 Ltd receives was not requested.</p> <p>Based on the limited procedures we could perform we noted certain issues in relation to the reliability of outcome reporting. Refer to the work performed and results in Objective 5 above.</p>

## Conclusion and Next Steps:

Based on our review, it is clear that PF2050 Ltd supports the creation of jobs, co-funding, and the extension / creation of new projects. However, the detailed outcome reporting is susceptible to the risk of error.

We recommend the following steps are undertaken to support the process for the Jobs for Nature funding to PF2050 Ltd:

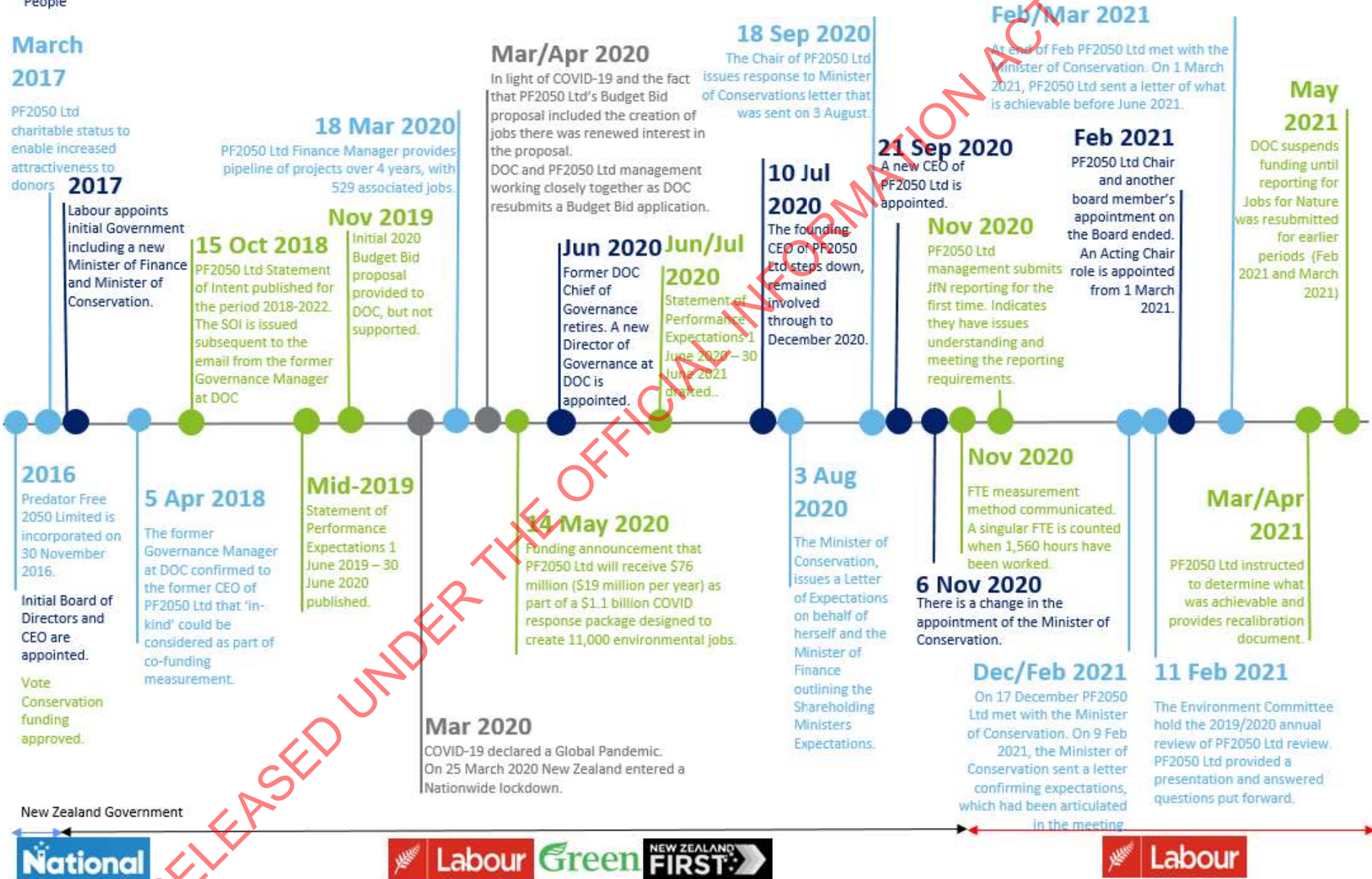
- 1) Measurement methodologies, approaches, and assumptions with respect to expected outcomes are reset with agreement obtained from all relevant stakeholders. This should follow appropriate formal processes such that Cabinet, DOC, and PF2050 Ltd are all aligned with respect to the definitions and expected outcomes. Further, whilst there is a formal process in relation to Cabinet expectations we recommend that on an ongoing basis clear communication lines and protocols are put in place alongside this to mitigate the risk of further expectation gaps occurring again in the future. This should include appropriate change processes being put in place if any are required into the future. This lays the foundations for (2) and (3) to be put in place, as well as supporting the wider priorities of PF2050 Ltd.
- 2) Key aspects of governance, processes and controls at PF2050 Ltd in relation to Jobs for Nature need to be strengthened. This should include risk management, assurance monitoring, and reporting controls, especially in relation to co-funding and reporting for job creation from the projects. If information sought by and provided to PF2050 Ltd is of poor quality then the outputs will be as well, no matter how good the compilation process is. This stronger control environment should be driven by the board and require management to implement clear and specific responsibilities, policies, and practices, which will require PF2050 Ltd to strengthen its monitoring and accountability, including its engagement with projects. In order to strengthen the control environment, we would recommend undertaking a detailed assessment (including a cost/benefit analysis) to develop an internal assurance framework that is fit for purpose. The assurance framework should ensure robust outcome reporting, whilst maintaining the Company's focus on the wider predator free strategy. The new Chair will play a key role in this process, and it will be important the Company has access to appropriate experience, expertise, and capacity.
- 3) PF2050 Ltd will need to re-shape and expand its reporting capability and capacity, and there needs to be an improved form of reporting control down to the project level. Potentially, engagement with projects to improve the quality of their reporting may be needed. Engagement with projects will need to be carefully considered to ensure there are no unwanted ramifications (for example it will be important to ensure that the requirements coming from PF2050 Ltd are aligned with requirements from other funding sources).

The scope of our report is limited to PF2050 Ltd's Jobs for Nature funding. Consideration should be given to what is required from PF2050 Ltd and the projects in the wider context of the eco-system that the Company is part of. It is clear from our work that this is a complex environment. The reporting requirements for PF2050 Ltd, and therefore required from projects should be fit for purpose in the context of the wider Jobs for Nature scheme. Separate to this engagement, MartinJenkins is engaged to perform a wider piece of work looking at items including PF2050 Ltd's structure and operating model. The work being undertaken by MartinJenkins will be important to guide the future success of the Company. Therefore, this report and suggested next steps should be considered as part of the wider piece of work being undertaken. At the time this report is issued, the MartinJenkins work is still underway and a copy of their report was not available at the time of this report being issued.



# Timeline of events

Key:  
 DOC/Company/Ministers communications  
 Reporting  
 People



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## Detailed report: Alignment with Terms of Reference

The table below outlines the work undertaken in accordance with our Terms of Reference. It links the objectives of the Terms of Reference to the results and findings from our work performed. Our review covered a significant amount of time (November 2019 through to the beginning of 2021). As expected with this type of review there is a diverse range of evidence from interviews through to formal documentation. Further some evidence had multiple versions, and new or revised information has been provided through to the date of this report. This has created significant challenges in completing our review, where it has been critical to agree facts and circumstances based on documented evidence whenever we can. It should be noted that PF2050 Ltd have been fully co-operative throughout the review and we acknowledge the significant amount of time management has spent with us.

Work undertaken	Results and findings
<p><b>Objective 1 (Terms of Reference paragraph 22):</b></p> <p>Obtain a clear understanding of the authorising environment and formal documentation that govern and specify what is expected of the Company in respect of Cabinet's expectations and Budget 2020 Jobs for Nature programme obligations and outcomes, including co-funding and specific funding criteria and requirements.</p>	<ul style="list-style-type: none"> <li>o The high-level outcomes expected by Cabinet were the creation of jobs, requirement to obtain co-funding, acceleration / establishment of projects, and hectare coverage. PF2050 Ltd were aware that job creation was the priority for this funding stream and were aware that meeting Cabinet's expectations was critical. In particular, the focus on jobs is apparent in all external communications since that time, and job targets have been included in the external contracts signed by PF2050 Ltd.</li> <li>o There were three core documents were submitted to DOC as part of proposing for this funding:             <ul style="list-style-type: none"> <li>a. <b>Proposal for a Budget Bid in November 2019.</b> PF2050 Ltd considers that this document requested out-year funding while Cabinet approved 4 years of funding. On pages 11/12 we discuss specifics of what PF2050 Ltd initially proposed.</li> <li>b. <b>Email of estimated jobs creation numbers on 18 March 2020.</b> On 17 March 2020 DOC contacts PF2050 Ltd to state there was renewed interest in PF2050 Ltd's November 2019 proposal for a Budget Bid and DOC requested confirmation of total jobs PF2050 Ltd that could create from funding. An email was sent on 18 March 2020 from the PF2050 Ltd finance manager to DOC with potential job numbers. This email was turned around within 24 hours of the initial request and states that PF2050 Ltd could create over 500 jobs (a total of 529 jobs). See page 13.</li> <li>c. <b>The Predator Free jobs for the post-COVID economic stimulus package from April 2020.</b> This third document, which was submitted last, was created with a focus on job creation due to the potential impact of COVID-19. It was sent after the 18 March 2020 email following further due diligence by PF2050 Ltd of how job creation could be a focus. Based on emails sighted between PF2050 Ltd and DOC personnel, it is clear PF2050 Ltd expected this would be/was submitted to both DOC and the responsible ministers. See page 13.</li> </ul> </li> <li>o The documents submitted to Cabinet were the November 2019 proposal for a Budget Bid alongside the 18 March 2020 email (items (1) and (2) above). This review commenced in April 2021, and evidential support of what was submitted was only obtained as part of this review in August 2021. Based on these two documents it is clear that Cabinet's expectations were as follows:             <ul style="list-style-type: none"> <li>• Creation of jobs (500)</li> <li>• Co-funding (2:1)</li> <li>• New large-scale predator control projects over four years projects (15) and extension of current projects (5)</li> <li>• Hectare coverage of 2,170,000 ha.</li> </ul> </li> </ul> <p>On 14 May 2020 it was announced PF2050 Ltd would receive \$19 million funding per annum for 4 years. However, based on the work performed during this review there was no clear communication to PF2050 Ltd of either what was submitted to the Cabinet (i.e. items (1) and (2) above), nor Cabinet's detailed expectations as set out above. PF2050 Ltd had been under the impression that a document titled "Predator Free jobs for the post-COVID economic stimulus April 2020" was also part of the submission. In addition, the funding announced is for 4 years, while PF2050 Ltd believe</p>

Work undertaken	Results and findings
<p><b>Work performed:</b></p> <ul style="list-style-type: none"> <li>Interviews of relevant stakeholders (board, management, advisors to the Company, auditors of the Company)</li> <li>Review of relevant documentation (Cabinet minutes, the Budget bid, Statement of Performance Expectations, Buddle Findlay legal letter, other relevant letters, and emails)</li> </ul>	<p>their submission was for \$76m over 4 years, with a further \$19m of outyear funding. This led to an initial issue where there was a lack of alignment on the target outcomes, as well as the amount of funding that would be received.</p> <ul style="list-style-type: none"> <li>Since May 2020 this initial issue has been compounded by subsequent communication between DOC, the Ministers and PF2050 Ltd, which has been interpreted in different ways by each stakeholder.</li> </ul> <p><b>Below we have summarised selected documents that have led to the misalignment in understanding.</b></p> <p>The below are only a portion of the documents reviewed and perspectives obtained in interviews. These have been deemed to be the most relevant.</p> <p><b>Relevant documentation</b></p> <ul style="list-style-type: none"> <li><b>Statement of Intent</b> On 18 October 2018, PF2050 Ltd issued its Statement of Intent for the 2018-2022 period. The purpose of a Statement of Intent is to set out the strategic objectives that the entity intends to achieve. It is a key planning document for PF2050 Ltd. It includes certain definitions that are relevant to this report, specifically co-funding, which is referred to as 'financial co-funding', see page 16 in the report for assessment of 'financial co-funding' and the lack of clarity that currently exists on this subject.</li> <li><b>November 2019 proposal for a Budget Bid</b> In November 2019 PF2050 Ltd submitted a proposal for a Budget Bid to DOC. At the time this document was not supported to go any further. In March 2020, in light of COVID-19 there was renewed interest in this proposal because it contained reference to job creation. This document included the following items relevant to our review (this is an 18-page document and these are highlights): <ul style="list-style-type: none"> <li>\$19 million funding per annum for 4 years (note: refer to (a) below in relation to outyear funding)</li> <li>Creation of 450 jobs in large-scale predator control projects</li> <li>Contracting 15 new large-scale predator control projects and extension of 5 active projects</li> <li>Co-funding of 2:1</li> <li>Hectare coverage of 2,170,000 ha.</li> </ul> </li> </ul>



**Work undertaken** | **Results and findings**

Based on the work performed there was misalignment between DOC and PF2050 Ltd with respect to the following:

a) **Outyear funding.** PF2050 Ltd held the view that outyear funding was included. Cabinet’s expectations did not include outyear funding. Refer below to an extract from the proposal for the Budget Bid (‘Funding Sought by Component’), which is an extract from the document to see what has driven this mismatch in interpretation. Based on the table Cabinet expects to fund \$19 million each year for 4 years, to a total of \$76m. PF2050 Ltd were of the understanding that the \$19 million in ‘2023/24 & outyears’ should mean that the amount continues into the outyear. In the ‘Formulas and Assumptions’ section the wording also indicates that the project lives are greater than 4 years, which indicates that outyear funding would be needed. DOC and PF2050 Ltd should have been aligned on this, and it was only confirmed post the funding announcement that outyear funding was not included (on 11 June 2020).

**Funding Sought by Component**

**Agency to complete**

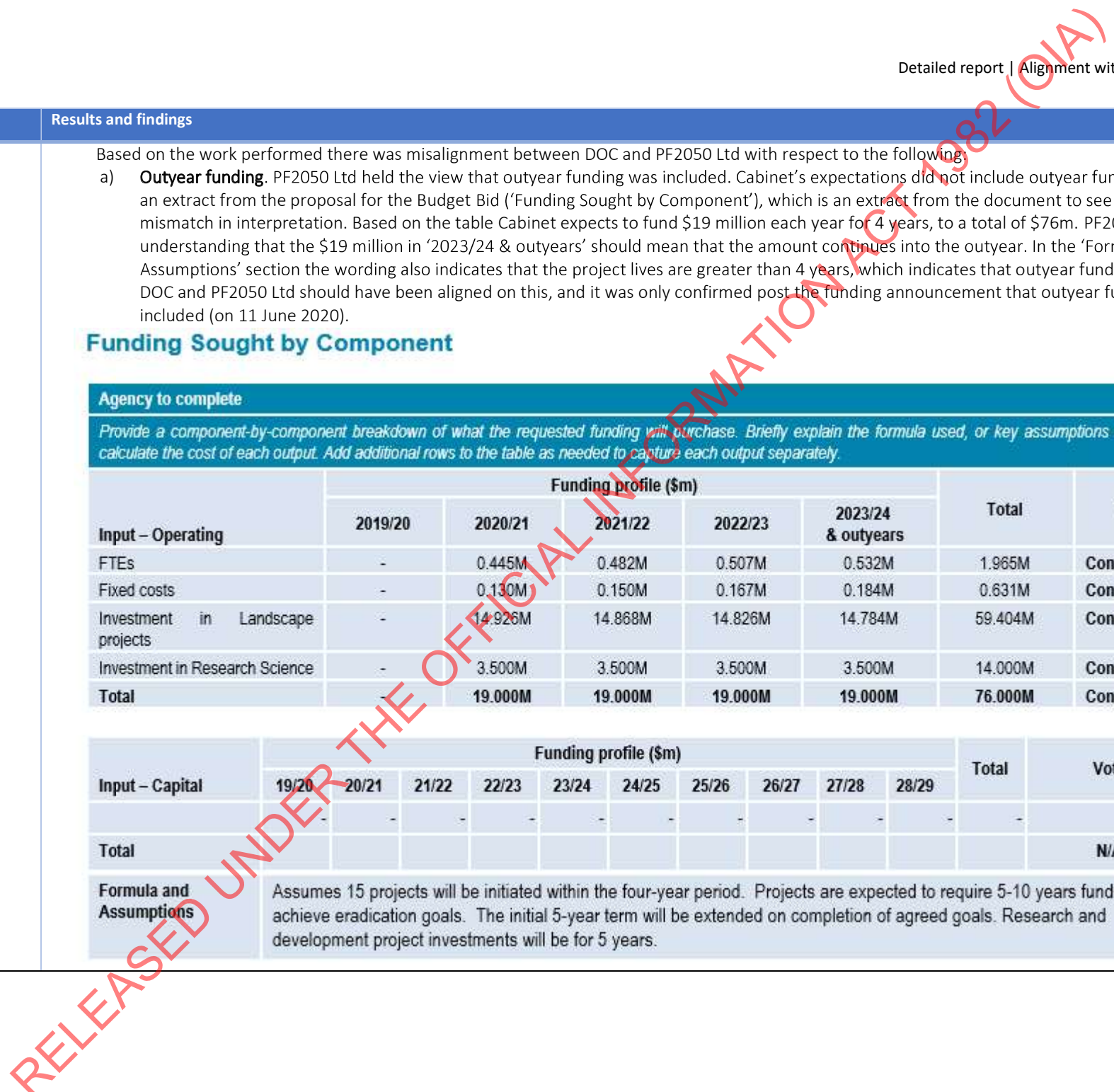
*Provide a component-by-component breakdown of what the requested funding will purchase. Briefly explain the formula used, or key assumptions made, to calculate the cost of each output. Add additional rows to the table as needed to capture each output separately.*

Input – Operating	Funding profile (\$m)					Total	Vote
	2019/20	2020/21	2021/22	2022/23	2023/24 & outyears		
FTEs	-	0.445M	0.482M	0.507M	0.532M	1.965M	Conservation
Fixed costs	-	0.130M	0.150M	0.167M	0.184M	0.631M	Conservation
Investment in Landscape projects	-	14.926M	14.868M	14.826M	14.784M	59.404M	Conservation
Investment in Research Science	-	3.500M	3.500M	3.500M	3.500M	14.000M	Conservation
<b>Total</b>	-	<b>19.000M</b>	<b>19.000M</b>	<b>19.000M</b>	<b>19.000M</b>	<b>76.000M</b>	<b>Conservation</b>

Input – Capital	Funding profile (\$m)										Total	Vote
	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29		
	-	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>												<b>N/A</b>

**Formula and Assumptions**

Assumes 15 projects will be initiated within the four-year period. Projects are expected to require 5-10 years funding to achieve eradication goals. The initial 5-year term will be extended on completion of agreed goals. Research and development project investments will be for 5 years.



Work undertaken	Results and findings
	<p>b) <b>Measurement and timing of jobs.</b> This proposal for a Budget Bid document was created prior to the COVID-19 pandemic. When management included job creation, it was not expected these would be a critical driver for the funding (this was pre-COVID and the idea of 'Jobs for Nature'). Further there was no measurement methodology or guidance on when jobs should be counted provided (see page 17 for the measurement methodology, which was only communicated in November 2020).</p> <ul style="list-style-type: none"> <li>○ <b>Email from PF2050 Ltd to DOC with estimated job numbers</b> On 17 March 2020 DOC contacted PF2050 Ltd and informed there was renewed interest in their proposal for a Budget Bid from November 2019. On 18 March 2020 PF2050 Ltd responded with high level estimates in relation to pipeline projects and their potential job numbers (529). PF2050 Ltd was informed this information had been requested by the Minister of Finance and would be provided to Treasury and the Minister of Finance (this was done with urgency and a response was provided within 24 hours). This email was submitted to Treasury.</li> <li>○ <b>Predator Free jobs for the post-COVID economic stimulus April 2020</b> Post the proposal for the Budget Bid, and post the email on 18 March 2021 the Company created a document titled "Predator Free jobs for the post-COVID economic stimulus April 2020", which had a core focus on job creation. This document included the following relevant items for our review purposes: <ul style="list-style-type: none"> <li>○ \$34 million funding per annum for 5 years</li> <li>○ Creation of 307 jobs in year 1 and 457 jobs after 5 years</li> <li>○ Contracting 12 projects</li> <li>○ While projects have co-funding commitments they do not meet the 2 to 1 requirement usually applied to Predator Free 2050 Limited projects.</li> </ul> <p>On 16 April 2020 PF2050 Ltd sent a document titled "Predator Free jobs for the post-COVID economic stimulus April 2020" to DOC. Based on email correspondence over April 2020 it is clear that the Company expected DOC to share the document with the Minister of Conservation and other relevant officials, and did so themselves later in April 2020. PF2050 Ltd also believed the document had been included in the information sent as part of the Budget Bid process. However, based on evidence obtained this did not happen, and ultimately the Company received funding as noted on pages 10/11.</p> </li> <li>○ <b>Cabinet minutes</b> On 11 May 2020, Cabinet minutes issued (CAB-20-MIN-0219.05) highlighted a focus on job creation through Jobs for Nature: "This initiative will fund significant job creation across the country, particularly in the regions through nationwide community and catchment led pest and predator control programmes". Cabinet minutes do not provide the outcome specifics required to meet expectations of this funding (nor would we expect them to given the nature of such minutes). Agreement of the underlying detail should have taken place prior to Cabinet's approval and should have been appropriately communicated with common understanding obtained.</li> </ul>

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Work undertaken	Results and findings
	<p>○ <b>Statement of Performance Expectations</b></p> <p>As a Crown Entity, a Statement of Performance Expectations (SPE) is established to enable the responsible Minister to participate in the process of setting annual performance expectations, inform the House of Representatives of the Expectations and provide a base against which annual performance can be assessed. The SPE is valid for one year.</p> <p>The SPE for 1 July 2020 – 30 June 2021 includes Jobs for Nature funding expectations of:</p> <ul style="list-style-type: none"> <li>• Generate 150 project jobs</li> <li>• Secure co-funding for Budget 2020 projects and achieve (at least) 1:1 contribution over the term of the projects</li> <li>• Commit \$15.3 million to 12 large landscape projects funded through Budget 2020</li> <li>• Commit \$3.5 million from Budget 2020 to breakthrough science areas</li> </ul> <p>Definitions are not provided for how a job is counted, although the SPE states: “about 150 jobs are expected by the end of the year”. See page 17 which describes November 2020 prescribed methodology, this measurement methodology was provided subsequent to SPE approval. While a SPE is valid for one year it states that Budget 2020 /COVID-19 response project’s will be achieving at least 1:1 co-funding over the term of the project. Projects are contracted over multiple years.</p> <p>A SPE should provide clarity and agreement between the responsible Minister(s) and the Company. However, whilst the 1 July 2020 – 30 June 2021 SPE was approved, it does not align with the proposal for a Budget Bid from November 2019 which was ultimately submitted to Treasury and approved alongside the 18 March 2020 email. PF2050 Ltd were not notified that these were the documents ultimately submitted.</p> <p>○ <b>Letters between the Minister of Conservation and PF2050 Ltd</b></p> <p>Since the approval of the Budget 2020 funding for PF2050 Ltd, there have been a number of letters issued between the Company and the Minister of Conservation:</p> <p><u>On 3 August 2020 the (now former) Minister of Conservation sent a Letter of Shareholder expectations to PF2050 Ltd.</u></p> <p>Letter of Shareholder expectations to PF2050 Ltd for the period 2020-2021 on behalf of both shareholding ministers (the Minister of Conservation and the Minister of Finance). This letter included, under Jobs for Nature funding expectations:</p> <ul style="list-style-type: none"> <li>• 15 large-scale predator control projects and to breakthrough science per the Budget Bid</li> <li>• The 500 jobs committed to in Budget 2020 are to be established in the first two years of funding</li> <li>• To achieve at least a \$1 for \$1 co-funding ratio for projects that have the dual purpose of predator control and employment creation</li> </ul> <p>At the time this letter was sent definitions or a measurement basis had not been provided nor agreed for a job (acknowledging there has been general consensus that this was an FTE). Further while the letter of expectations states that from a co-funding perspective that dual purpose projects must achieve at least 1:1 co-funding ratio it does not clearly state if this does/does not also apply to the overall Cabinet Expectations for the Jobs for Nature funding provided to PF2050 Ltd. Given PF2050 Ltd’s deliberate strategy of contracting certain obligations (including co-funding) to the projects the Company believed that this letter meant that co-funding of only 1:1 was required going forward.</p>



Work undertaken	Results and findings
	<p><u>On 18 September 2020, PF2050 Ltd responded to the (now former) Minister of Conservation</u></p> <p>There are two versions of this letter which we have been provided as part of the review, one by DOC and one by PF2050 Ltd. The purpose of this letter was to align the Letter of Shareholder Expectations to the SPE, due to differences noted. While the two versions do have some variance, the core items relating to PF2050 Ltd's Jobs for Nature funding are consistent, and are as follows:</p> <ul style="list-style-type: none"> <li>• In year one of funding PF2050 Ltd expect to create 150 jobs in line with the SPE (see page 14).</li> <li>• The 500 jobs stated in funding requests was on the basis that there would be out-year funding (see pages 11 and 12 for coverage of the November 2019 proposals for a Budget Bid submission). PF2050 Ltd states on the basis that there is only 4 years of funding the job numbers should be pro-rated and a reduced total number to be achieved. In the version of the letter we received from DOC the Company expects to create 250 jobs when all projects are fully operational. In the PF2050 Ltd version of the letter we received they expect to create 300 jobs on the same basis.</li> <li>• To invest in 12 new or accelerated projects and to leverage 1:1 co-funding across these.</li> </ul> <p><u>On 2 November 2020 the (now former) Minister of Conservation responded to PF2050 Ltd's letter</u></p> <p>This letter thanked the Company for confirming they can deliver all expectations. There was no acknowledgement of the items or issues highlighted in the letter(s) from PF2050 Ltd.</p> <p>On 6 November 2020, a new Minister of Conservation was appointed.</p> <p><u>On 9 February 2021 a letter was sent from the (new) Minister of Conservation to PF2050 Ltd</u></p> <p>This letter followed a meeting the (new) Minister and PF2050 Ltd had on 17 December 2020. The letter detailed the following expectations:</p> <ul style="list-style-type: none"> <li>• The creation of 125 jobs a year over the four-year Jobs for Nature Programme (note this letter was issued subsequent to the job measurement basis being confirmed and is based on a job being counted after 1,560 hours of employment, see page 17 where November 2020 job methodology is discussed). This is a reduction from PF2050 Ltd's SPE and different to the communication on the 3 August 2020 from the previous Minister of Conservation which both required 150 jobs year one.</li> <li>• Mobilisation of 15 large-scale landscape projects</li> <li>• Co-funding of 2:1 across the four-year life of the programme</li> </ul> <p>The above expectations can be linked to the November 2019 Budget Bid proposal (pages 11/12) along-side the 18 March 2020 email earlier highlighted (page 13). The November 2019 submission included 15 large-scale landscape projects and 2:1 co-funding while the 18 March 2020 email estimated over 500 jobs. 500 jobs, averaged over 4 years, would equate to 125 jobs a years. This is the first time we have evidence of expectations which align to what was included in the combination of the November 2019 submission document and the 18 March 2020 email. It is also circa 8 months after the funding had been approved.</p> <p>The challenge at this point for PF2050 Ltd is a number of project contracts had been signed on a 1:1 (or at least) 1:1 basis (due to 3 August 2020 letter, see page 14) and due to the funding model, PF2050 Ltd ultimately achieves both co-funding and job creation via the projects. At this point, the contracts PF2050 Ltd has signed do not agree to Cabinet's expectations.</p>

Work undertaken	Results and findings
	<p><u>On 1 March 2021 a response letter was sent by PF2050 Ltd to the (new) Minister of Conservation</u></p> <p>This letter followed a hui on February 23, 2021 between PF2050 Ltd and the (new) Minister of Conservation where PF2050 Ltd highlighted challenges faced in meeting the Minister's and Cabinet's expectations. The letter detailed the following in respect of PF2050 Ltd's Jobs for Nature funding targets:</p> <ul style="list-style-type: none"> <li>• The 125 count is based on the Company's initial understanding of when to count a job (being commencement of an FTE position, rather than the November 2020 methodology (page 17), which sees '1' job counted after 1,560 hours).</li> <li>• Using the November 2020 methodology PF2050 Ltd forecasts that 79 jobs will be created by June 2021.</li> <li>• PF2050 Ltd expects to outperform the four-year target of 450 jobs (based on the confirmed job measurement definition of 1,560 hours per job).</li> <li>• Co-funding ratios are discussed and it indicates that in the hui (and from the previous letter) the current Minister of Conservation has expectations that PF2050 Ltd will meet the co-funding ratio of 2:1 across the four years of the funding. PF2050 Ltd highlights that at this stage 9 Project contracts are already negotiated and signed on a 1:1 basis, and this was determined based on the previous Minister of Conservations Letter of Expectations (page 14).</li> </ul> <p><b>Other relevant information</b></p> <p><b>a. Media release by PF2050 Ltd</b></p> <p>On 14 May 2020, a media release was made by PF2050 Ltd in respect of the \$76 million Jobs for Nature funding received by the Company. Included in this media released is a quote from the (former) CEO of PF2050 Ltd stating that PF2050 Ltd had: "identified investment ready projects that could create upwards of 450 jobs, including 300 in the first year". This quote is from the "Predator Free jobs for the post-COVID economic stimulus April 2020 document", a document which requested \$171.2m, rather than the \$76 million which was approved on 14 May 2020. The 31 March 2021 (revised) reporting sent on 18 May 2021 indicates 39.8 jobs have been created to date (based on 62,076 hours included in the reporting and using the November 2020 job count methodology, see (c) below).</p> <p><b>b. Co-funding communication</b></p> <p>There has been no methodology agreed by Cabinet or any Minister in respect of the recognition of co-funding and whether 'in-kind' funding is included. This is wider than Jobs for Nature and therefore needs to be agreed going forward, as part of wider funding model considerations. The SOI refers to financial co-funding however this, in our view, remains open to interpretation. This is because under financial accounting standards 'in-kind' does get recognised as a non-cash donation with a financial value assigned to the non-cash donations. In addition, an email was sent in April 2018 by the then Governance Manager of DOC to the then CEO of PF2050 Ltd confirming that in-kind could be recognised as co-funding and any value was subject to a "reasonableness" test. While the SOI is silent on what 'financial' means in the context of co-funding, it is PF2050 Ltd's view that it includes in-kind. However, debate remains over whether in-kind should be included or not – a line needs to be drawn to enable appropriate targets to be confirmed, and reported on.</p>

Work undertaken	Results and findings
	<p>On 18 May 2020 the previous Strategic Coordination Manager for DOC communicated with both DOC and PF2050 Ltd employees: “Many of the projects are based on the concept of attracting 2:1 co-funding. That’s going to be difficult in the near-term.” ....”Securing the 2:1 co-funding is something to be sorted out in year 2 and beyond (if earlier that’s fine, but priority in year one is generating the necessary jobs on the ground).”... “The government’s and our Minister’s expectation is very clear – get people employed and money out the door rapidly.”. This communication, while sent from DOC to PF2050 Ltd, does not align to the November 2019 submission included in submission to Treasury which did not have any allowances for 2:1 co-funding. Challenging this, it shows that DOC knew 2:1 co-funding was key long term, which was not evident in the 3 August 2020 letter of expectations (see page 14).</p> <p><b>c. Definition of a job</b></p> <p>In our review, the definition of a job and specifically, the measurement timing of one was not communicated or formalised until November 2020. There is a general consensus from all parties that counting a job was for an FTE (someone working over 30 hours a week). The timing of measurement becomes an issue as initially PF2050 Ltd understood a job/FTE to count from the first day of employment. The calculation basis provided on 20 November 2020, means that a job/FTE is only a whole count of ‘1’ once 1,560 hours have been worked. This is the equivalent of an individual working 30 hours for 52 weeks (so an FTE). While both measurements consider 1 an FTE, there is a fundamental difference of timing of when the “job” is counted. The latter model, which is employed by the Jobs for Nature funding programme for PF2050 Ltd, will see the count of ‘1’ occur at a later date than the original model PF2050 Ltd had applied (which counts the day the role commences)</p> <p><b>Summary of key issues:</b></p> <ol style="list-style-type: none"> <li>1. PF2050 Ltd did not receive clear communication of which documents were submitted to Treasury to inform Cabinet’s expectations.</li> <li>2. The measurement methodology of a Job (FTE) was only communicated in writing on 20 November 2020.</li> <li>3. Communication between relevant stakeholders (PF2050 Ltd, DOC and the Minister) did not provide a common understanding of Cabinet expectations.</li> <li>4. PF2050 Ltd view the proposal for a Budget Bid to be a funding request which included outyear funding. No outyear funding was approved by Cabinet. Measurement targets of achievements were not altered based on obtaining no outyear funding.</li> <li>5. Clarification of whether co-funding includes in-kind or not is required.</li> </ol>

Work undertaken	Results and findings
<p><b>Objective 2 (Terms of Reference paragraph 23):</b></p> <p>Develop an assessment method to evaluate the Jobs for Nature programme key financial and non-financial information, approach, and methods.</p> <p>Have regard to inherent risks and concerns raised by the Department.</p> <p>Work performed:</p> <ul style="list-style-type: none"> <li>• Interviews with DOC officials</li> <li>• Interviews with nominated personnel from PF2050 Ltd</li> <li>• Interviews with a sample of projects</li> <li>• Documentation review</li> </ul>	<p>The Jobs for Nature funding assigned to PF2050 Ltd has a few key financial and non-financial requirements, the ones that are the focus of this report are:</p> <ul style="list-style-type: none"> <li>• Co-funding (financial)</li> <li>• Jobs (non-financial)</li> </ul> <p>Detailed discussions were held with nominated personnel from PF2050 Ltd to understand their processes in relation to the key financial and non-financial reporting required for the Jobs for Nature funding. Due to the funding model PF2050 Ltd's reporting on this information is based on information provided by the projects. In order to make the assessments in Objectives 3, 4, and 5 we have:</p> <ul style="list-style-type: none"> <li>• Interviewed relevant DOC officials</li> <li>• Interviewed nominated personnel from PF2050 Ltd</li> <li>• Obtained and reviewed 11 signed project contracts</li> <li>• Interviewed nominated personnel from a sample of projects (3 were chosen as they were the most progressed)</li> <li>• Reviewed the March 2021 reporting from PF2050 Ltd</li> <li>• Reviewed PF2050 Ltd's recalibration document from March 2021</li> </ul> <p>Whilst we were able to develop a methodology to evaluate the reporting our ability to validate to source documentation was limited. Refer to the work performed and results in Objective 4 below, as this constrains our ability to evaluate the Jobs for Nature key financial, and non-financial information, approach, and methods.</p>

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## Key steps as per the terms of reference

## Results and findings

**Objective 3 (Terms of Reference paragraph 24:**

Obtain a briefing from the Company to understand relevant governance and management practices and roles and responsibilities. Alongside this an understanding of the issues and challenges in managing the Jobs for Nature programme and expected outcomes.

In particular, the sourcing, preparation, reporting programme outcomes including approach, methods and assumptions underpinning the Company's actual and forecast reporting and co-funding.

**Work performed:**

- Briefing meeting with Company
- Interviews with management and the Board of Directors
- Documentation review – including Board Minutes

As noted in Objective 1 PF2050 Ltd were not provided with a clear understanding of the expectations from Cabinet at the outset of their Jobs for Nature funding. This has a flow on effect on relevant governance and management practices, and roles and responsibilities, noting the scope of this report is Jobs for Nature only. We have detailed below key aspects of governance and management practices, roles, and responsibilities, as well as relevant processes and controls.

**Governance and management practices, roles, and responsibilities**

- PF2050 Ltd is led by the Board of Directors who set the strategic guidance of PF2050 Ltd. The CEO has delegated authority to act on behalf of the Company based on this strategic guidance.
- Annually a Statement of Performance Expectations is set to guide the performance of the Company and how it will be measured for the year.
- Based on our discussions with the Company's auditors we understand they had noted as part of their 30 June 2020 financial statement audit that as the Company grows it should look to formalise policies in relation to the control environment, awarding funding arrangements, and a code of conduct/ethical guidelines.
- In response to the Jobs for Nature funding received by PF2050 Ltd, the team size increased from 6.5 people to 9.5 people. The project support team size has increased with three new roles and now includes a Senior Project Support Manager. Further increases in capability or resourcing would enable more effective reporting and assurance for the increased funding, and the additional associated reporting requirements.

**Processes and reporting**

- Project reporting comes from third parties that may, or may not, have the required controls and processes in place to accurately report. This additional layer adds to the difficulty of attributing the funding to the required outcomes. This is with respect to both jobs created (where risks include ensuring the funding has specifically been used on jobs, and ensuring projects are not reporting the same job numbers to different funders where projects have received Crown Jobs for Nature funding from other sources), and co-funding (where risks include knowledge of where other project funding is derived from, and whether it includes "in-kind" funding or not).
- The PF2050 Ltd funding is often seed-investment into projects, where co-funding will follow the lead investment.
- In 2020, when seeking projects to invest their Jobs for Nature funding into, instead of PF2050 Ltd's usual expression of interest process, PF2050 Ltd proactively met with projects and asked them how many jobs the projects could create as part of the Jobs for Nature funding process. This process was led by management with ultimate project approval at the board level.
- Projects report their results in respect of Jobs for Nature funding requirements to PF2050 Ltd. In respect of jobs this reporting includes the role title, contracted weekly hours, and start/end dates of the personnel contract(s). PF2050 Ltd verifies project reporting by having fortnightly and quarterly meetings with projects however there are no other verification steps outside of meetings and understanding of the projects.
- As detailed on page 21, one of the three sampled projects reported the same jobs to PF2050 Ltd as well as another Jobs for Nature funder. There was no control process that prevented this occurring.
- As detailed on page 21, March 2021 reporting was revised and resubmitted on 18 May 2021, during the resubmission, it was identified there were errors in historic job number reporting. This had also existed in the February 2021 reporting.

The funding model places reliance on third parties. Whilst this is supported by contracted obligations it creates an extra layer of complexity and risk to the control environment.

Key steps as per the terms of reference	Results and findings
<p><b>Objective 4 (Terms of Reference paragraph 34)</b></p> <p>Validate, compare, and contrast relevant information reported by the Company to its primary records and against Cabinet’s expectations, Budget 2020 outcomes and authoritative requirements.</p> <p><b>Work performed:</b></p> <ul style="list-style-type: none"> <li>• Obtained raw data and support from PF2050 Ltd to the extent it is available</li> <li>• Interviewed sample projects</li> </ul>	<p>We examined, compared and contrasted information reported to DOC from PF2050 Ltd. This included workpapers from PF2050 Ltd that compile the information received from the projects. The projects report their achievements to PF2050 Ltd who in turn compiles and submits this information to DOC as part of their reporting process. However, it did not prove possible to validate information to primary records. Challenges to this included:</p> <p><b>Primary records being held by external parties</b></p> <p>During the work performed it became clear that it would be difficult to obtain underlying evidence for the amounts reported from the projects through to PF2050 Ltd. This was for two reasons:</p> <ol style="list-style-type: none"> <li>1) PF2050 Ltd do not hold the primary records, nor do they obtain samples of the records held at the project level.</li> <li>2) Project resources were limited, and therefore additional requests would be difficult to process.</li> <li>3) The Projects are their own entities, and therefore obtaining underlying support would require the approval of their boards.</li> </ol> <p><b>Co-funding:</b></p> <p>No projects funded by PF2050 Ltd’s Jobs for Nature funding have reached a reporting milestone for co-funding at the time of this report. PF2050 Ltd project contracts, typically, require projects to meet co-funding metrics annually or over the life of the project. No projects which received funding from this source have a contract that has been active for one year or more and therefore this goal is not yet required to be met at a project contract level. No interim verification processes have been undertaken by PF2050 Ltd prior to the one-year mark.</p> <p><b>Jobs</b></p> <p>Projects may be set up such that the entity PF2050 Ltd contracts with is not the entity that employs individuals. In 2 of our 3 sampled projects there was a further arrangement where the project employed individuals through another separate vehicle. The additional layers of separation created issues for validation to primary records. Subsequently, we were unable to trace the Crown funds to the intended purpose.</p> <p>Based on the above and agreed with DOC, further evidential information from the projects outside of what PF2050 Ltd receives was not requested for the purpose of this report. Therefore, it has not been possible to quantify and verify these outcomes. However, through this review we have identified inaccurate data, as identified in Objective 5.</p>



Key steps as per the terms of reference	Results and findings
<p><b>Objective 5 (Terms of Reference paragraph 35)</b></p> <p>Ascertain the nature and extent of any issues from the above validation including what is achievable and where required, the assessment/quantification of relevant outcomes information.</p>	<p>As reported, there are a number of challenges/issues that have been identified. Detailed below are the key findings that require attention (outside of the clarification of Cabinet expectations and the appropriate steps to take, given it is now a year later and contracts have been signed without this as a basis in all cases).</p> <ol style="list-style-type: none"> <li>1. <b>Long-term nature of projects</b> - Prior to December 2020, only 3 Jobs for Nature funding contracts were signed between projects and PF2050 Ltd. A further 6 were signed in February and March 2021. This review commenced in April 2021 and we assessed March 2021 reporting information as this was the best available information during our fieldwork. Projects typically have an initial start-up phase. During this phase co-funding will be obtained and job creation should begin. Given the nature of these projects job creation and co-funding is expected to build momentum as the project matures, and co-funding should follow the initial investment as PF2050 Ltd are in most cases seed-investments. Wellington is the most progressed project and reported 29 jobs per the count at 31 March 2021 (revised reporting submitted 18 May 2021), with 36 people actually in roles on the project. This project was already in operation prior to Jobs for Nature funding. Other projects that are only signing and commencing in early 2021 are in earlier phases and in some cases first need to identify prospective co-funders.</li> <li>2. <b>Project reporting</b> - One project has been identified where the same jobs created have been reported by both PF2050 Ltd, and by another Jobs for Nature funding scheme (funded directly through DOC). Prior to this issue being identified, written confirmation was obtained by PF2050 Ltd from the project that the jobs reported to PF2050 Ltd were not being reported to other funders. DOC signed their contract in relation to this project after PF2050 Ltd had received this written confirmation. No further detailed verification procedures were undertaken by PF2050 Ltd in relation to this matter, and due to the scope of our review no work has been undertaken to determine what (if any) procedures were undertaken by DOC prior to signing this contract. <i>We highlight there may be legal implications from the funding contracts however this is outside of the scope of this review.</i></li> <li>3. <b>Data integrity of monthly job measurement</b> – March 2021 (as well as February 2021) was resubmitted on 18 May 2021 with a change to historical job numbers. The resubmission occurred because PF2050 Ltd had not been using the templates required by DOC in earlier submissions. When revising their reporting to use the appropriate template PF2050 Ltd identified the earlier submission job numbers were overstated. It is recommended appropriate controls and processes are implemented. These issues also impacted the Recalibrating Jobs for Nature targets document which PF2050 Ltd submitted in March 2021 (due to the fact it used the same historical information where issues were identified).</li> <li>4. <b>Job measurement verification</b> – the fact that the entity receiving funding from PF2050 Ltd is not always the direct employer of a role that is included in the ‘job’ count creates additional layers of separation and potential for misalignment to the source of funding. We recommend that PF2050 Ltd ensures robust processes are in place that enable transparency and evidential support for all outcomes funded this includes implementing robust verification controls. It needs to be determined if it is appropriate whether a job can be counted if it sits with an entity other than the one PF2050 Ltd is funding. At the time of this report job numbers cannot be validated due to not having access to primary records.</li> <li>5. <b>Co-funding and the ability for targets to be adjusted</b> – Contracts have been signed where they do not align to Cabinet expectations. If PF2050 Ltd is to meet Cabinet expectations with these contracts, it may need to vary project contracts in order to require projects to source additional funding or to change their funding model to source additional funding themselves, so they can meet 2:1 co-funding requirements. There are risks</li> </ol>

Key steps as per the terms of reference	Results and findings
	<p>associated with changing formal contracts and such changes need careful consideration. Another option to support further co-funding is PF2050 Ltd hiring someone in a philanthropic/fundraising role however PF2050 Ltd research suggests it will take a number of years for this position to raise a gross surplus, and this is halted for the time being. Each of these will have associated risks that need to be considered.</p> <p>In terms of what is achievable PF2050 Ltd produced a recalibration report (“Recalibrating Job for Nature targets”) that was submitted to DOC. This was prepared with support from an external advisor in developing a methodology. This support was advisory in nature and related to the compilation of the report. When considering the forecast information, the sensitivity analysis and factors applied to the recalibration appear reasonable and fit for purpose. However, a fundamental challenge for PF2050 Ltd is data integrity (refer Point 3 above) and if there is low quality-controlled data input, this will lead to the same for data output.</p> <p>Due to these issues and the issues identified throughout this report it is not possible to comment on what is achievable at this time.</p>

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## Appendix 1: Scope and Basis for our work

### Scope of our work

- The scope of our work is set out in Part B of the Consultancy Services Order (dated 7 April 2021), which is replicated below.
- Our work, which is summarised in this report, has been limited to matters which we have identified that would appear to us to be of significance within the context of that scope.
- Our Services do not constitute an assurance engagement in accordance with New Zealand standards for assurance engagements, nor do they represent any form of audit under New Zealand standards on auditing (International Standards on Auditing (New Zealand)), and consequently, no assurance conclusion nor audit opinion is provided, including for example, whether you should provide further funding to PF2050 Ltd. We do not warrant that our enquiries will identify or reveal any matter which an assurance engagement or audit might disclose.
- The Jobs for Nature reporting documents submitted by PF2050 Ltd that we have assessed are February 2021 and March 2021 monthly reporting, originally with a submission date of 30 March 2021 and 15 April 2021 respectively. Each was resubmitted via email to DOC on 18 May 2021 as revised February 2021 and March 2021 reporting. We have not assessed submissions or resubmissions beyond this date.

### Access

We have had unrestricted access to the Management team at PF2050 Ltd, specifically the CEO, Finance Manager, the Senior Project Support Manager, and the Communications and Business Support Manager. In addition, the wider team has made themselves available on an as needed basis. Past and present Board Members were available at our request as was the previous CEO.

### Timetable

Our work commenced on 12 April 2021 and was completed on 12 August 2021.

### Risk mitigation

The report contains constructive suggestions to improve some practices, which we identified in the course of our procedures. These procedures are designed to help identify control gaps but cannot be relied upon to identify all weaknesses. This report also offers recommendations for improvements and has considered the views of DOC and/or PF2050 Ltd management and staff. Recommendations or suggestions for improvement should be assessed by all relevant parties for their full commercial and legal impact before they are implemented.

<b>Locations visited</b>	Predator Free 2050 Limited, 45 Queen Street, Auckland CBD, Auckland
<b>Discussion and information from</b>	Relevant DOC officials (current and former officials) PF2050 Ltd Board of directors PF2050 Ltd Management and relevant personnel (current and ex) External advisors who provided support to PF2050 Ltd PF2050 Ltd's auditor Project managers for sampled projects
<b>Other sources</b>	<ul style="list-style-type: none"> <li>• PF2050 Ltd board minutes</li> <li>• Documentation and emails provided by PF2050 Ltd and DOC that were deemed relevant to the scope of work</li> <li>• Jobs for Nature reporting documents</li> <li>• Buddle Findlay legal advice provide to PF2050 Ltd, "Shareholder expectations of Predator Free 2050 Limited – co-funding expectations", dated 20 April 2021</li> </ul>
<b>Access to information</b>	We have had unrestricted access to the management team of PF2050 Ltd and have met with them on a regular basis over the course of the engagement.
<b>Scope Limitations</b>	<p>During the period of 25 March 2020 to 28 April 2020 New Zealand was at level 4 lockdown in response to COVID-19 with Budget 2020 being submitted at this time. It is understood that due to the lockdown measures in place, and decisions being made at high cadence, certain decision-making was communicated verbally with limited documentation. Information obtained by Deloitte includes those provided at interviews which may not be factually correct (due to the passage of time rather than a deliberate misrepresentation) or capable of corroboration. As a result, no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by the interviewees.</p> <p>As at the time of our review:</p> <ul style="list-style-type: none"> <li>• No contracts have been signed in relation to the investments in breakthrough science. As such, our review focussed on the landscape projects ("Projects"); and</li> <li>• Most of the contracts for Projects have only recently been signed and are therefore at an early stage of execution or considered "start-ups" (three out of 11 signed late 2020, and the remaining eight signed in early 2021).</li> </ul> <p>We did not conduct procedures related to hectare coverage given the nature of this metric, and early stages of the Projects. As noted in our signed CSO it was deemed highly unlikely that we would be able to obtain sufficient and appropriate evidence in relation to hectare coverage. In addition, it was not the key driver for the review, with the focus being on co-funding and job creation (as agreed with DOC).</p>

## Appendix 2: Statement of Responsibility

As a member of Chartered Accountants Australia and New Zealand, all work performed by Deloitte staff is subject to the Accounting Professional and Ethical Standards, which include requirements in the areas of ethics, independence, documenting the terms of the engagement, and quality control.

The procedures performed were carried out in line with Deloitte's Consultancy Services Order with the Department of Conservation ("DOC"). The procedures that we performed did not constitute a legal review or an assurance engagement in accordance with New Zealand Standards for Assurance engagements, and therefore does not represent any form of audit or provide an audit opinion under New Zealand Standards on Auditing. The work was performed subject to the following limitations:

- Our assessments are based on observations from review and sample testing undertaken in the time allocated. Assessments made by our team are matched against our expectations and good practice guidelines. This includes comparison with other similar processes we have assessed. This report offers recommendations for improvements and has taken into account the views of management, with whom these matters have been discussed.
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in the deliverable are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, neither DOC nor PF2050 Ltd should not rely on our deliverable to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

We have prepared this report solely for the use of DOC. The report may contain constructive suggestions to improve some practices which we identified in the course of our procedures. These procedures are designed to identify control weaknesses but cannot be relied upon to identify all weaknesses.

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