























**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**

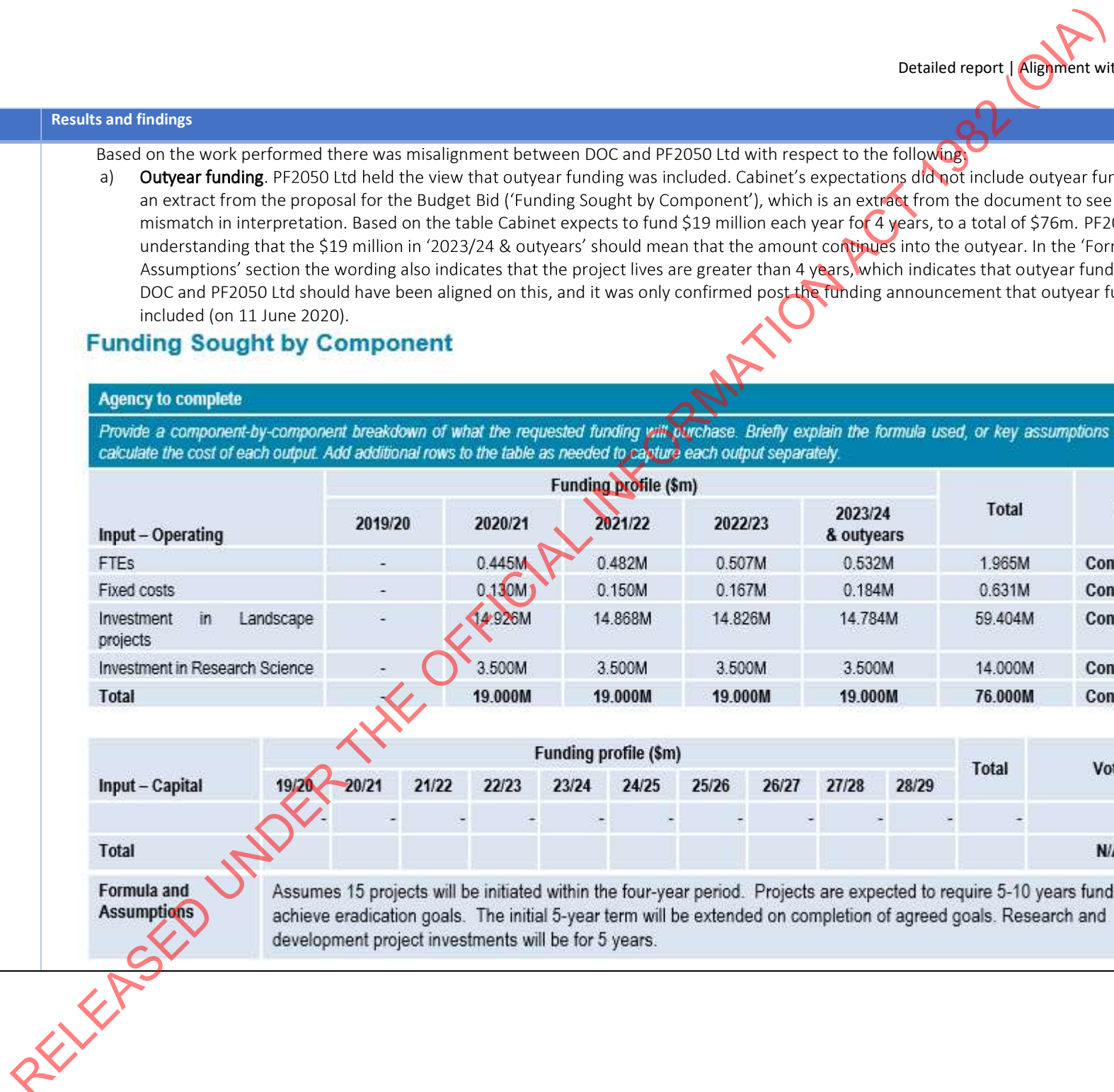
**Agency to complete**

*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>	<p>Relevant DOC officials (current and former officials)</p> <p>PF2050 Ltd Board of directors</p> <p>PF2050 Ltd Management and relevant personnel (current and ex)</p> <p>External advisors who provided support to PF2050 Ltd</p> <p>PF2050 Ltd's auditor</p> <p>Project managers for sampled projects</p>
<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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