



Assurance and Evaluation

Office of the Director-General

PRIMARY GROWTH PARTNERSHIP FINANCIAL MANAGEMENT: ASSURANCE ON USE OF PGP FUNDING – NEW ZEALAND AVOCADOS GO GLOBAL

May 2016

Growing and Protecting New Zealand



Contents

EXECUTIVE SUMMARY	3
CONTEXT FOR WORK	3
THE PROGRAMME	3
OBJECTIVE OF WORK	4
OVERALL CONCLUSIONS	4
RECOMMENDATIONS	4
APPENDIX ONE: OVERALL ASSESSMENT OF PGP FINANCIAL MANAGEMENT – NZ AVOCADOS GO GLOBAL	5

EXECUTIVE SUMMARY

CONTEXT FOR WORK

1. This report sets out the findings and observations from a review of the financial management systems and records that support the funding that has been claimed by the Avocado Industry Council (AIC) from the crown for the New Zealand Avocados Go Global Primary Growth Partnership programme.
2. The Primary Growth Partnership is a government-industry partnership that invests in significant programmes of research and innovation to boost the economic growth and sustainability of New Zealand's primary and food sectors.
3. The Ministry for Primary Industries (MPI) provides funding to the co-investors for the programmes. The co-investors are required to provide co-funding at least equivalent to the Ministry's funding. Co-funding can be either in the form of cash contributions or in kind contributions.
4. Each contract between MPI and the co-investors provides rights of access to records to carry out an audit of the partner's use of the funds.
5. The Ministry's Assurance and Evaluation team help provide additional comfort to the Ministry and the Minister for Primary Industries around PGP co-investors' management of funding, and claims for funding, through assurance on the partners' financial management of the programmes.

THE PROGRAMME

6. The New Zealand Avocados Go Global programme is a partnership between the Ministry and the Avocado Industry Council. The aim of the contracted programme is to increase the productivity and capability within the avocado industry to deliver significant additional returns for New Zealand.
7. The programme is planned to go over 5 years and began in June 2014. Funding is budgeted at \$4.28 million each from PGP and the Avocado Industry Council.
8. The Go Global programme's vision is to equip the industry with the tools to triple productivity to 12 tonnes per hectare and quadruple industry returns to \$280 million per annum by 2023.
9. The programme intends to deliver best practice across the value chain, transferred through a network of innovation leaders, rural professionals and growers, to achieve widespread adoption, driven by examples of success.
10. There is a strong focus on knowledge sharing across the avocado industry. The development of an information portal to strengthen the flow of information, and assist in increasing the performance and efficiency of the avocado supply chain, is an important part of the programme. It will also enable the industry to benchmark their performance.
11. The programme aims to place New Zealand's avocado industry in a position to respond to the domestic demand for premium, safe, and healthy produce, but also position New Zealand as the avocado supplier of choice in Asian markets by gaining an early foothold, and a "first mover" advantage in those markets.

PRIMARY GROWTH PARTNERSHIP FINANCIAL MANAGEMENT: NEW ZEALAND AVOCADOS GO GLOBAL

OBJECTIVE OF WORK

12. The key objectives of our work were to provide assurance:
 - That the key elements of the Avocado Industry Council PGP financial management systems are suitably robust and effective. Elements of the system that have been assessed include:
 - Systems and processes for day to day financial management (payment processing, allocating costs, recording in-kind contributions etc)
 - Systems for developing claims to MPI and financial reports for the Programme Steering Group
 - Budgeting, forecasting and monitoring processes
 - That the Avocado Industry Council have adequate, complete and reliable records of use of the funding and co-funding that adequately support their funding/ co-funding claims.

WHAT WE DID AND HOW WE DID IT

13. We spoke to the Avocado Industry Council Business Manager and Programme Manager, who are the two key persons involved in the co-investors financial management of the programme, to understand and assess the relevant systems and processes that the Avocado Industry Council operates.
14. We also checked documentation and other underlying evidence which supports the funding claims being made by the Avocado Industry Council to MPI. This documentation included invoices, in-kind contribution sheets, contracts and other supporting documents. The records that were reviewed covered the previous year of the programme.

OVERALL CONCLUSIONS

Financial management systems are suitably robust and effective

15. Our conclusions are that the Avocado Industry Council have appropriate systems in place for the financial management of the programme. The systems are robust and effective, suitably commensurate with the size and complexity of this programme and consistent with our expectations. There are systems for developing funding claims and financial reports and budgeting, forecasting and monitoring spending.

The Avocado Industry Council have sufficiently complete and reliable documented records to support their claims for funding

16. We have been provided with and reviewed sufficient evidence and records to support the claims for funding made to MPI. In our view, MPI management can take:
 - Reasonable assurance that the funding that has been provided has been used to meet the actual costs of the programme.
 - Comfort that the cash and in kind costs that have been reported are supported by adequate documentation and records and that the judgments being made about how to account for these costs have been reasonable and consistent.

17. Appendix 1 sets out further details of the basis of our conclusions.

RECOMMENDATIONS

18. There are no actions or recommendations arising from this work for either the Ministry or the co-investor

APPENDIX ONE: OVERALL ASSESSMENT OF PGP FINANCIAL MANAGEMENT – NZ AVOCADOS GO GLOBAL

Process	Key conclusions and observations
Processes for creating funding claims and financial reports	<p>Reporting processes are satisfactory</p> <ul style="list-style-type: none"> ○ The process for creating the quarterly financial reports appears to be well embedded in the Avocado Industry Council practices. ○ The underlying systems of accounting and financial record keeping seem to be well managed by the Business Manager on a day to day basis. The risk associated with using spreadsheets to complete calculations are understood and well managed. ○ There are effective segregation of duties and oversight of financial management commensurate with the organisation size.
Processing of payments	<p>Payment processing practices are satisfactory</p> <ul style="list-style-type: none"> ○ The systems for making payments and processing creditors look to be consistent with the expectations that we would have of any organisation of a similar size and complexity.
Processes for identifying in kind and staff time based costs	<p>Processes for identifying in kind transactions are satisfactory</p> <ul style="list-style-type: none"> ○ The organisation has robust processes to ensure accurate recording of in-kind contributions from industry stakeholder contributors. ○ The Avocado Industry Council in-kind contributions are summarised on a monthly basis for quarterly charging to MPI.
Budgeting	<p>Budgeting systems are satisfactory</p> <ul style="list-style-type: none"> ○ There seems to be an effective process in place for developing the annual budgets for this programme with the right level of engagement across those involved in managing the programme. ○ The budgeting tools being used have an appropriate degree of sophistication that is commensurate with the size and value of the funds being managed.
Forecasting	<p>Forecasting systems are satisfactory</p> <ul style="list-style-type: none"> ○ The forecasting process is led by the Business Manager and Programme Manager. The process they have in place is consistent with expectations that we would have of any organisation of a similar size and complexity.
Evidence to support partners funding claims	<p>There is satisfactory evidence to support funding claims made by the Avocado Industry Council to MPI</p> <ul style="list-style-type: none"> ○ The amounts being reported as actual cash costs are supported by adequate, complete and reliable documentation and records. ○ The amounts being reported as in kind contribution costs are supported by adequate, complete and reliable documentation and records. ○ The judgments being made by the partner about which costs are recoverable from MPI are reasonable and consistent. ○ The costs that are being claimed back from MPI are relevant to the partnership programme.