



PRIMARY GROWTH PARTNERSHIP FINANCIAL MANAGEMENT: ASSURANCE ON SEED AND NUTRITIONAL TECHNOLOGY DEVELOPMENT PARTNERSHIP USE OF FUNDING

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Growing and Protecting New Zealand



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SECTION 1: EXECUTIVE SUMMARY

OBJECTIVE OF WORK

1. The key objective of our work was to provide assurance that the Seed and Nutritional Technology Development Partnership financial management systems for Primary Growth Partnership (PGP) funding and co-funding, are suitably robust and effective.

OVERALL CONCLUSIONS

2. Our conclusions are that the partner's systems and processes for managing PGP funding and co-funding (including systems for budgeting and forecasting, reporting and monitoring, allocating costs and processing payment) are suitably robust and effective.
3. The complexity of these systems is commensurate with the size of the PGP programme.
4. We also conclude that the funding being provided by the Ministry for Primary Industries (MPI) and co-investors is being used to meet the costs of the programme.
5. Amounts claimed by the partners from the Ministry are supported by documentary evidence and are relevant and appropriate costs to be borne by the partnership programme.
6. This conclusion is based on our review of the documentation and information supplied by the partners to support the transactions selected for audit testing. Appendix 1 sets out further details of the basis of our assessment.

SECTION 2: INTRODUCTION

CONTEXT FOR WORK

7. 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.
8. The Ministry provides funding to the industry co-investors for the programmes on receipt of invoices for work completed. The partners 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.
9. Each contract between MPI and the partners provides rights of access to records to carry out an audit of the partner's use of the funds.
10. The Seed and Nutritional Technology Development programme is a partnership between the Ministry and a partnership consortium of PGG Wrightson Seeds (PGGWS) and Grasslanz Technologies. The aim of the contracted programme is to develop a suite of innovations that improve productivity and animal health, while mitigating adverse environmental impacts.
11. The total funding approved for this programme is \$14.6m (\$7.1m from the Primary Growth Partnership fund and \$7.5m from co-investors). The programme was contracted in February 2013. The end date for the programme is December 2018.
12. The Ministry's Assurance and Evaluation team help provide additional comfort to the Ministry and the Minister around PGP partners'

management of funding and claims for funding through assurance on the partners' financial management of the programmes.

WHAT WE DID AND HOW WE DID IT

13. In order to assess the financial management systems being operated by the programme, we spoke to the people at PGGWS who managed the programmes finances to understand the systems and processes being used to manage the funding/co-funding and make claims for funding.
14. We reviewed the models, systems and records associated with the accounting, budgeting and forecasting for the programme to assess financial management in practice.
15. We also checked documentation and other underlying evidence (which supports the costs that form part of the claims for reimbursement from the Ministry by the co-investor organisations).
16. This included invoices, contracts, time records and milestone progress reports, models of calculations, financial estimates and information that supports quarterly reports to the Programme Steering Group.
17. The records reviewed covered the period between from July 2013 to June 2014 and covered \$1.8m of the \$2.1m of programme costs incurred in the period.
18. The PGG Wrightson group are also audited annually by KPMG. The group's financial statements have been given a clear certificate which gives some further comfort on the underlying financial management systems that the group operates.

ACTIONS REQUIRED

19. No actions are required as a result of this audit.

APPENDIX 1 – OVERALL ASSESSMENT OF FINANCIAL MANAGEMENT PROCESSES

| Process | Overall Conclusions |
|---|--|
| Systems for processing financial data | <p>On the basis of the enquiries that we made, the financial models that we have reviewed and the transactions and reports that we have examined, we are comfortable that there are systems in place to process financial transactions and record financial data and then report back accurately on the finances of the programme.</p> <p>The combination of electronic and manual record keeping systems and models used to process and capture the financial data and information is sufficiently robust and effective to give us sufficient confidence in the financial management of the programme. The system in place to process financial data is commensurate with the size and the complexity of the programme and the value of the funds being managed.</p> |
| Financial reporting processes | <p>The basis for producing the quarterly reports financial content and other financial management reports required looks to be sufficiently robust to give confidence that the progress of the programme is adequately monitored.</p> |
| Budgeting and forecasting processes | <p>The process that was followed for developing the six year budget was sufficiently rigorous to provide MPI with a sense of the future costs of the programme (note that the vast majority of the cost drivers for this programme’s budget are the costs of the three research providers).</p> <p>To date the actual costs of the programme have largely tracked to budget. In this context, the steps that have been taken to reassess future costs forecasts have been timely and appropriate.</p> <p>The variance analysis being done for quarterly reporting purposes provides sufficient detail to understand the differences between budget and actual costs and act as an effective forecasting tool.</p> <p>The process that is in place for reviewing these budget and actual costs, as part of quarterly reporting and as part of the annual planning process, should continue to provide sufficient opportunity moving forward to suitably evaluate the financial progress of the programme.</p> |
| Review of documentation and information | <p>The amounts being claimed from Ministry for costs are supported by sufficient, relevant and reliable records and the criteria for the funding are being met. This conclusion was based on:</p> <ul style="list-style-type: none"> • A review of a sample of 30 transactions which accounted for \$1.8m of the \$2.1m of PGP costs incurred between July 2013 and June 2014. • Sighting of payment invoices and other supporting documentation for each of these transactions. <p>[The auditor was provided with copies of all physical records that supported the underlying transactions.]</p> |