

16 January 2020

Louis Houlbrooke
requests@taxpayers.org.nz

Ref: H201910259

Dear Mr Houlbrooke

Response to your request for official information

Thank you for your email of 27 November 2019 requesting under the Official Information Act 1982 (the Act):

- a. Was any timeframe attached to the agreement between the Ministry and the Quit Group around using its remaining funds?*
- b. I request any reports held by the Ministry regarding the Quit Group's use of the Ministry funds since 2016, including the result of any audit.*
- c. Is the Ministry aware of the details of the Quit Group's expenses? Are these expenses being used to pay, for example, Board member fees?*
- d. In light of the issues raised in this information request, will the Ministry seek information from the Quit Group, or refer it to Charities Services for investigation?*

In response to part a of your request, the Ministry of Health (the Ministry) did not stipulate a timeframe in relation to the use of the funds by the Quit Group Trust (the Trust)¹.

Documents in scope of part b of your request are itemised in Appendix One and the Ministry decision on each document.

In response to part c of your request, the Ministry is aware that the Trust files an annual report as part of the requirements of being a registered charity. This report includes Trust's detailed expenditure which included Board membership fees.

During routine contract management processes, including financial management, cash reserves were identified. The Ministry was aware of the reserves built up by the Trust over the period of the contract in 2017 and conducted an audit. The audit covered the period from 2007 to 2015 but could not reach any further back due to the limits of records then available. The audit found \$435,700 of surplus health funds paid to the Trust.

The finding of surplus funds was disputed by the Trust and following negotiations, the Ministry and the Trust reached agreement in December 2017 that the Ministry would not attempt to recoup the funds, but the Trust would reinvest them. The Ministry will be meeting with the Trust early in the New Year to progress discussions about reinvestment of the Trust's reserves.

¹ Please note that the Quit Group stopped trading in 2015, but the Quit Group Trust is holding the Ministry funding.

The Ministry has clear priorities for investment in services to reduce smoking in Māori – which remains disproportionately high, particularly for Māori women. The Ministry has a work programme ready and will be in discussion with the Trust around the use of these surplus funds for this work in the near future.

In response to part d of your request, as noted above, the Ministry has been in discussion with the Trust and does not intend to refer the matter to the Charities Commission. The Ministry has provided the Trust some other options for reinvestment of its own reserves – identified as being around \$3 million when the Ministry's audit was undertaken. The Ministry accepts that reinvestments are at the discretion of the Trust. The Ministry also acknowledges the length of time that has passed between agreeing to the reinvestment of surplus health funds and that happening.

The Ministry has not held a contract with the Trust since 2015 but is aware that the Trust has continued to fund some tobacco control activities since that time, including:

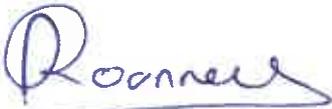
- Funding ASPIRE 2025 – an academic research group that developed an evidence-based action plan outlining steps to reach Smokefree NZ by 2025. The research has been used to inform the Ministry's own planning.
- Sponsoring attendance at an Oceania regional conference (in 2017 and 2019) allowing individuals working in this area to get access to up-to-date research and international developments
- Funding a national hui in mid-2018 on reducing smoking rates for Maori women – the funding allowed a number of regional providers to attend.

The Ministry is aware that the Trust's operating costs are continuing to eat into its reserves and as such we will encourage the Trust to commit to spending the reserves, including the \$435,700 of identified surplus health funding, in a timely and appropriate manner.

You have the right, under section 28 of the Act, to ask the Ombudsman to review any decisions made under this request.

Please note that this response may be published on the Ministry website.

Yours sincerely



Astrid Koornneef

**Acting Deputy Director-General
Population Health and Prevention**

Appendix One: List of documents

| # | Date | Title | Decision on release |
|---|-------------------|--|---|
| 1 | 14 August 2017 | Audit Report | Released in full. Where information is out of scope, this has not been provided. |
| 2 | 29 September 2017 | Update Quit Group: Legal Advice from Senior Solicitor Bob Sheppard | Withheld in full under section 9(2)(h) of the Act, to protect legal professional privilege. |