

Chapter 5

Regional Development Corporation - Provincially Funded Programs and Projects

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Regional Development Corporation - Provincially Funded Programs and Projects

Background

5.1 The Regional Development Corporation (RDC) supports the development priorities of New Brunswick's regions and communities.

5.2 RDC is overseen by a Board of Directors, which is comprised of Deputy Ministers of provincial government departments and Presidents of Crown agencies associated with economic development. The Chairman of the Board is also the President of the Corporation. The Chairman is a senior government employee at the Deputy Minister level. The Minister responsible for RDC is the Premier and the Corporation reports to the Legislature through the Minister.

5.3 RDC describes its primary role in its Annual Report as working with other government agencies, institutions, and various groups to ensure that economically challenged regions within New Brunswick are provided with the necessary tools and infrastructure required to attain their full potential in terms of community and economic development. A major activity of the Corporation is to fund, coordinate, and monitor Funds and projects, with the intent of supporting provincial economic development endeavours.

5.4 Exhibit 5.1 describes the provincial Funds we reviewed that are administered and coordinated by RDC. Government has mandated RDC to manage all of these Funds. Our audit focussed on these Funds due to the large dollar amounts and number of projects.

5.5 Applications for funding are received by RDC from other government departments, outside organizations, privately owned companies and municipalities. The President, in consultation with

the Minister responsible for RDC, has the authority to grant approval for all projects except under the conditions in Exhibit 5.2.

Exhibit 5.1

Funds managed by RDC

| Fund | Background | Amount | Duration | Term |
|---|---|---------------|-----------------|-----------------------------------|
| Acadian Peninsula Economic Development Fund (APEDF) | Developed in response to challenges recognized by the Premier's Action Committee for the Economic Development of the Acadian Peninsula | *\$25 million | 5 years | 1 September 1999 – 31 August 2004 |
| Total Development Fund (TDF) | Developed by government to provide financial support towards the implementation of strategies in forestry, mining, energy, aquaculture, agriculture, new technology and tourism sectors | \$30 million | **3 years | 1 April 2001 - 31 March 2004 |
| Restigouche-Chaleur Economic Development Fund (RCEDF) | Developed in response to recommendations by the Restigouche-Chaleur Task Force in July 2002 | \$25 million | 5 years | 1 January 2003 – 31 December 2007 |
| Miramichi Regional Economic Development Fund (MREDF) | Developed in response to recommendations by the Miramichi Prosperity Task Force in March 2004 | \$25 million | 5 years | 1 May 2004 - 30 April 2009 |

* On 17 June 2004, the APEDF was increased to \$28 Million and extended to 31 March 2005.

**The Total Development Fund was initially announced as a three-year program. During our audit, RDC informed us that government subsequently extended the fund indefinitely.

Exhibit 5.2

Approval of projects

| Fund | Amounts in excess of | Must be approved by |
|---------------------|-----------------------------|----------------------------|
| Acadian Peninsula | \$300,000 | Cabinet |
| Restigouche-Chaleur | \$500,000 | Cabinet |
| Miramichi Regional | \$500,000 | Cabinet |

5.6 Once projects are approved, financial assistance can take the form of a loan, loan guarantee, or a non-repayable contribution. Non-repayable contributions can either be an upfront cash disbursement (before expenses were incurred) or a reimbursement of incurred expenses.

5.7 Exhibit 5.3 details cumulative funding committed under specific funds up to 31 March 2004.

Exhibit 5.3
Funding committed to 31 March 2004

| Fund | Number of Projects | Dollars allocated |
|---|---------------------------|--------------------------|
| Acadian Peninsula Economic Development Fund | 285 | \$22,991,669 |
| Total Development Fund | 30 | \$15,472,569 |
| Restigouche-Chaleur Economic Development Fund | 71 | \$5,107,288 |

Scope

5.8 The objective of our audit was:

To determine if the Regional Development Corporation has satisfactory procedures in place to measure and report on the effectiveness of the provincially funded programs and projects which it administers.

5.9 In this chapter, we use the term Funds to refer to provincially funded programs.

5.10 This objective is tied to the *Auditor General Act* which includes in its list of reportable items cases where:

- *procedures have not been established to measure and report on the effectiveness of programs, where, in the opinion of the Auditor General, the procedures could appropriately and reasonably be used; or*
- *procedures established to measure and report on the effectiveness of programs were not, in the opinion of the Auditor General, satisfactory.*

5.11 We developed five criteria to assist us in determining whether the objective was met. This chapter is organized by these five criteria.

5.12 The scope of our audit was limited to the management of funds and projects that are 100% provincially funded and are administered and coordinated by the Regional Development Corporation (RDC). While RDC does administer federal/provincial agreements, we did not include these in our audit work.

5.13 Our audit work consisted chiefly of interviewing various staff members at RDC, and reviewing internally and externally prepared documents and several project files at RDC's head office.

5.14 We began our audit in October 2003. Our audit field work was substantially completed between April 2004 and August 2004.

Results in brief

5.15 RDC does not have satisfactory procedures in place to measure and report on the effectiveness of the provincially funded programs and projects which it administers. The provision, monitoring and reporting on the success of measurable goals and objectives is necessary to provide accountability for the spending of government monies.

5.16 RDC has developed goals for its major Funds. However, RDC has not developed appropriate objectives for all of its Funds and projects.

5.17 In cases where goals were set, RDC is not ensuring adequate monitoring of whether or not these goals were achieved.

5.18 RDC has no adequate system for taking timely corrective action on projects that are not meeting stated goals and objectives.

5.19 RDC lacks policy to ensure a formal evaluation is completed for all major Funds.

5.20 RDC's annual report requires significant improvements in order to function as an appropriate accountability document.

Setting goals and objectives

5.21 Our first criterion was:

RDC should ensure it has appropriate goals and objectives for its provincially-funded programs and projects.

5.22 Government must be held accountable for results. In order to fulfill this obligation for accountability, information on intended and actual results must be presented to the Legislative Assembly and the public. An organization sets out its intended results through its goals and objectives.

5.23 The Canadian Council of Legislative Auditors (CCOLA) gives the following definitions for goals and objectives:

- Goal - a general statement of desired results to be achieved

- Objective - a specific statement of results to be achieved over a specified period of time. This statement may be described in terms of a target.

Funds have goals but are lacking appropriate objectives

5.24 We noted that RDC has developed goals for its major Funds. For example, the goal of the Acadian Peninsula Economic Development Fund is to “provide funding for economic and social development activities that are consistent with the objectives of the Action Plan.” However, the Funds do not have objectives that state specific results to be achieved over a specified period of time. In short, they lack targets. While it is not our role or intention to determine what the objectives or targets should be, some examples might be:

- to reduce the unemployment rate in a certain region by a certain percentage, within a specified period of time; or
- to increase the graduation rate to a desired level by a specified date.

5.25 It is these specific results that allow an organization to go back and readily measure what was accomplished for the dollars spent.

Recommendation

5.26 We recommended RDC develop measurable objectives for each of its Funds. Objectives should reflect specific statements of results to be achieved over a specified period of time.

RDC response

5.27 RDC has goals and objectives for all of its programs. They are developed in consultation with the partners that our funding supports and they are approved and authorized by the appropriate levels of the government of the Province of New Brunswick. Our regional development initiatives are seeking changes to the fundamentals of these regional economies and thus very specific outcomes are difficult to predict. We do agree, however, to strive for more quantifiable objectives in the design and/or renewal of regional development initiatives.

Projects lack appropriate goals and objectives

5.28 We were pleased to note that RDC has developed comprehensive management guidelines for each of its major Funds. These guidelines require that proposals for funding be well documented and fully explain aspects such as the purpose, costs, benefits, means of delivery, the deliverable product or service, the expected results, and the affected industries and regions. The

identification of expected results is important as it not only provides RDC with a mechanism for accountability, but also provides funding recipients with a clear understanding as to what requirements they must fulfill.

5.29 The project application form requires that project success indicators and measurable benefits be identified. We reviewed 25 project files to determine if these were both present and appropriate. We noted the following:

| Measurable benefits identified | Benefits identified but not readily measurable | No benefits identified |
|--------------------------------|--|------------------------|
| *11 | *10 | *4 |

* number of project files

5.30 We were pleased to note that eleven of the project files we reviewed did identify measurable benefits. For example, \$299,500 was provided to fund a food industry project. The measurable benefit was to create 50 new jobs.

Benefits identified are often not measurable

5.31 We noted cases where benefits identified for projects were not measurable.

- RDC provided a total of \$1.5 million in funding to one project. While the purpose of the project was described as a means to implement an innovative odour control pilot project, no measurable success indicators were identified. As a result, we could not determine what specifically the project was supposed to accomplish. For instance, were odour levels supposed to be reduced to a certain level?
- \$260,500 was provided to develop e-commerce in the wood manufacturing industry. The funding provided was given in order to facilitate adoption of internet and e-commerce tools by wood manufacturers. But the files had no specific information regarding what measurable benefits the funding was going to provide over what time period.
- \$120,000 was provided to an entrepreneur to purchase a boat for a unique long term tourist attraction. We found nothing in the file that would indicate how success would be measured. For instance, a measure for a unique long term tourist attraction might be the ability to attract a certain number of tourists each year.

5.32 RDC staff informed us that in some cases they feel it is difficult to identify measurable benefits for the projects funded. In our opinion, in order to maintain accountability for monies spent, measurable benefits must be provided. This is also clearly required by RDC's own management guidelines.

No benefits identified

5.33 We noted that in most cases proposals within project files contained a description of what the funding was going to be used for. For example, funding would be requested for a new piece of equipment for a manufacturing plant. What was missing from several of the files we reviewed was an adequate description of what specifically the proposed project was going to accomplish and how this was going to contribute to the goals and objectives of the Fund. Examples we noted were:

- \$2 million was given to the Department of Agriculture, Fisheries and Aquaculture to support various projects in relation to agriculture and agrifood, commercial fisheries, aquaculture production and fisheries and aquaculture processing.
- A total of \$766,620 was given to a manure processing technology pilot project over the span of two years.
- A total of \$299,777 was given to the Department of Agriculture, Fisheries and Aquaculture to fund a total of 18 tasks.
- A total of \$500,000 was given to develop the New Brunswick Community College in the Acadian Peninsula.

5.34 None of these projects identified the benefits that would flow from the funding.

Recommendation

5.35 We recommended RDC ensure that goals and measurable objectives are developed for all approved projects. Such goals and objectives should be consistent with those of the overall Fund.

RDC response

5.36 *As you have confirmed in your comments, RDC does require success indicators and measurable benefits for all of its projects. Of the 25 projects which you have reviewed and setting aside three related to the Total Development Fund, there is one project where "no measurable benefits were identified".*

Our comments on RDC's response

5.37 As noted in the chart in this section, 14 of 25 projects we reviewed had no **measurable** benefits identified. In four cases, there were no benefits identified at all, and in ten cases, while some benefits were provided, they were not measurable. We expected to find measurable benefits for all projects, including those within the Total Development Fund.

Conclusion

5.38 This criterion was partially met. RDC has developed goals for its major Funds. However, RDC has not developed appropriate objectives for all of its Funds and projects.

Monitoring progress

5.39 Our second criterion was:

RDC should monitor the progress of its provincially-funded programs and projects to determine whether or not the goals and objectives are being met.

5.40 RDC recognizes the importance of monitoring the progress of its Funds and projects. This is evident in its own program management guidelines which specify RDC will:

- provide the overall management including co-ordination, financial and administrative management; and
- analyze, approve, evaluate and **monitor** each initiative. (emphasis ours)

5.41 Our findings are that RDC is not following all aspects of these management guidelines. We noted that while RDC is doing some level of monitoring for some of the Funds and projects it administers, there are several improvements that could be made. As discussed earlier, RDC does not have appropriate objectives for the Funds and projects it administers. And when objectives are provided, they are often not measurable. This criterion, therefore, could not be met. If objectives are not established and measurable, progress cannot be monitored.

5.42 Nevertheless, we were able to make a number of observations and recommendations regarding RDC's current level of monitoring.

No formal protocol for monitoring/inspection

5.43 We interviewed various RDC staff members regarding monitoring procedures and noted differences in what they felt the procedures to be. Appropriate levels of monitoring seemed to be more a function of availability of staff than any sound practices or procedures. Because there are no formal policies or procedures for

monitoring and inspecting the progress of Funds and projects, there is no assurance that monitoring procedures will be consistently and appropriately applied.

Recommendation

5.44 We recommended RDC formalize policy and procedures regarding the monitoring of Funds and projects.

RDC response

5.45 *We agree that documentation of formal monitoring procedures would ensure consistency of our reviews and we will strive to provide a policy and procedures guide for this purpose.*

Results are not monitored in relation to stated goals and objectives

5.46 Reporting on the progress of projects significantly lacks detail. Of the eleven project files we reviewed that did contain measurable goals and objectives, none of the projects were monitored to determine if goals or objectives were met.

5.47 We noted that RDC staff review receipts and cancelled cheques for invoices supporting expenditures for projects. While it is important to monitor where the monies were spent, this type of monitoring on its own is not complete. For instance, a company may apply for \$1,000,000 for manufacturing equipment. RDC could determine whether or not the monies were actually spent on the equipment by reviewing invoices and cancelled cheques and perhaps physically inspecting the assets. However, that doesn't show what, if anything, that \$1,000,000 expenditure accomplished.

5.48 In one example we noted in the files, RDC provided \$90,000 to an entrepreneur through Business New Brunswick. The number of incremental jobs the funding would create was provided. However, there were no inspections noted on file and no documentation that would show whether or not the increase in employment was attained.

Recommendation

5.49 We recommended RDC compare the results of projects to the specified objectives to ensure the projects accomplish intended results.

RDC response

5.50 *RDC, through its head office and regional staff and by collaboration with other departments, is certainly aware of the results of projects which it administers. The issue may be the degree to which this knowledge is documented in our files at head office. We will review and where necessary enhance our documentation procedures.*

RDC not taking pro-active role in monitoring Total Development Fund projects

5.51 RDC has not taken a pro-active role in monitoring the success of projects within the Total Development Fund, despite the fact it has funded over fifteen million dollars' worth of projects under the fund in the last three years. Twenty percent of the projects funded were provided with \$1 million or more.

5.52 Officials at RDC informed us that this Fund was initially set up to enable government departments to more readily access funding to assist projects that may have been subject to prior government cut-backs. The departments and organizations that were provided with funding were:

- Department of Agriculture, Fisheries and Aquaculture;
- Service New Brunswick;
- Department of Natural Resources;
- Department of Tourism and Parks; and
- Department of Intergovernmental and International Relations.

5.53 RDC staff informed us they feel their role for this Fund is more like that of a "banker". They provide the funds and expect the line departments involved to monitor the success of the projects. However, we could find no documentation that would clearly transfer this monitoring responsibility to other departments. Further, we noted there are no clearly developed monitoring standards for the various departments to follow. RDC is not adequately ensuring that departments are appropriately monitoring the projects. In any case, this practice would be in conflict with RDC's own management guidelines, which state that they will monitor the success of the projects under the Fund and report to Cabinet. RDC is accountable to the Legislative Assembly for the money it is given, and how it is spent.

Recommendation

5.54 **We recommended RDC monitor the success of projects under the Total Development Fund as required in the management guidelines.**

RDC response

5.55 *We will ensure that an annual activity report is received from departments for each activity approved under the TDF.*

Our comments on RDC's response

5.56 We are unclear as to the intended contents of the "annual activity report" and are thus unsure that it will meet the intention of our recommendation. As stated in our recommendation, we would anticipate that RDC monitor the success of projects under the Total

Development Fund. Monitoring the success of projects would include comparing outcomes to stated objectives.

RDC providing ongoing funding without proper analysis

5.57 We noted cases where RDC gave funding to individuals or organizations in consecutive years without ensuring the first allotment of funding was used appropriately and the project was a success. Specifically we noted that \$300,000 was approved and provided over three years to develop five youth complexes in the Acadian Peninsula. By the end of the three years only three complexes had been completed. We found no analysis on file that would show how the project was doing during the three-year period.

5.58 Funding is often initially approved to be paid in yearly instalments over a period of time. However, the initial approval of funding doesn't mean the project shouldn't be evaluated on an annual basis to determine the appropriateness of the continuance of funding. Yearly evaluation is important as it provides decision makers with an opportunity to determine whether to continue the project or not.

Recommendation

5.59 We recommended RDC ensure adequate documentation of monitoring for multi-year projects. An appropriate interim monitoring process should be completed before further funding is provided.

RDC response

5.60 *We agree with your recommendation and will enhance documentation of the monitoring activities conducted on multi-year projects.*

Problems with project status reports

5.61 RDC's management guidelines require reports from departments and organizations on the progress of projects. Project reports are required yearly for multi-year projects and at the completion of all projects. However, we noted the following problems with these reports:

- reports are not always being received;
- reports that are received are often not timely;
- reports are not standardized; thus RDC is receiving different types of information from various departments and organizations; and
- reports are often too scientific and detailed to be useful for monitoring purposes.

Recommendations

5.62 We recommended RDC develop a standardized project status document to ensure the appropriate monitoring information is received.

5.63 We recommended RDC ensure project status reports are received for all projects in a timely fashion.

RDC response

5.64 We agree with the recommendations.

Inconsistent physical inspection

5.65 Physical inspection is especially useful to monitor asset existence. We noted that RDC lacks policy regarding physical inspection and lacks resources to adequately inspect all projects.

5.66 There are no documented standards for what types of projects require an actual physical inspection. In our review of project files, we noted inconsistency in physical inspections. In some cases we noted inspection reports on file and in other cases not. Because inspection reports are not standardized, inspection reporting varies.

5.67 Physical inspection is especially important when providing funding for infrastructure. While receipts and invoices provide some comfort that monies were spent appropriately, a physical inspection is necessary to confirm that the intended structure was completed and is being used for the intended purpose.

Recommendations

5.68 We recommended RDC ensure processes are in place to ensure adequate physical inspection of assets purchased with government funding.

5.69 We recommended RDC develop and implement a standardized inspection form.

RDC response

5.70 RDC does conduct physical inspection of assets purchased from funding managed and administered by RDC, where such inspection is deemed appropriate. We agree that these inspections are not always documented in our files. We agree that the adoption of a standardized inspection form would enhance the documentation process.

RDC not monitoring benefits over the long term

5.71 There are no systems in place to ensure that project outcomes are monitored to see if they have any lasting benefits. RDC has no plan in place to monitor the long term outcomes of the projects sponsored within the Funds. It is of limited value to know that a

company employed 23 new staff persons at the time of funding. What is of more value for decision makers is knowing what, if anything, were the longer term benefits of the funding provided. For instance, how many of these 23 persons are still employed after five years?

Recommendation

5.72 We recommended RDC monitor the stated outcomes of funded projects for an appropriate period of time to determine what, if any, the longer term benefits were.

RDC response

5.73 RDC is monitoring outcomes over the term of the initiatives (five years). We will define our expectations and enhance our documentation of these procedures.

Conclusion

5.74 This criterion was not met. In some cases goals and objectives were not set. Therefore RDC could not monitor their achievement. In the cases where goals were set, RDC is not ensuring adequate monitoring of whether or not these goals were achieved. Project reports are sometimes missing from files and are not tied back to goals or objectives. There are no standards for physical inspection and no assurance that physical inspections are happening in all cases.

Taking corrective action

5.75 Our third criterion was:

Where results of monitoring are unsatisfactory, RDC should take corrective action in a timely fashion.

5.76 Sound management practices would dictate that if monitoring results were unsatisfactory (i.e. goals and objectives were not being attained), timely corrective action should be taken.

5.77 As discussed earlier, RDC's monitoring practices are primarily to ensure monies were spent on what the applicant said they were going to be spent on, not on whether pre-determined goals and objectives were met. In the previous criterion, we determined that RDC is not adequately monitoring whether goals or objectives are being met. Because of this, we have some concerns that RDC is not able to take corrective action as need be.

5.78 RDC's own program management guidelines state that RDC will report to Cabinet and to the Premier's Action Committee on the success of projects on a semi-annual basis. However, we determined that reporting to Cabinet consists of reports that detail the names of projects and dollars spent. There is no reporting of the success of the

project. It would be important, in our opinion, to provide the decision makers with information on whether or not projects are meeting their stated goals and objectives. This would provide Cabinet with the option to discontinue current projects and assist with the approval process for future projects.

Recommendations

5.79 We recommended RDC take appropriate and timely corrective action for projects not achieving their stated goals and objectives.

5.80 We recommended RDC's report to Cabinet include information on the success of projects in order to allow timely decisions to be made.

RDC response

5.81 RDC does take appropriate and timely corrective action as the need arises as we become aware of unsatisfactory situations. Our head office and regional staff maintain regular contact with officials in the regions and we conduct numerous site visits.

5.82 We agree that there is an opportunity to enhance the form and content of our semi-annual reports to Cabinet.

Our comments on RDC's response

5.83 Our recommendation specified that RDC take appropriate and timely corrective action for projects **not achieving their stated goals and objectives**. In other words, RDC needs a more proactive approach. Because measurable objectives were not established for all projects, RDC was not able to take action when objectives were not met. We see taking action "as the need arises" as a reactive rather than a pro-active approach.

Conclusion

5.84 This criterion was not met. Due to the lack of monitoring whether goals or objectives have been met, RDC has no adequate system for taking timely corrective action on projects that are not meeting stated goals and objectives.

Evaluating the results of programs

5.85 Our fourth criterion was:

RDC should formally evaluate the results of its provincially-funded programs and projects upon conclusion.

5.86 It is important to formally evaluate the results of a program upon conclusion. With \$105 million allocated to the Funds we

reviewed, we would expect to see provision for a formal evaluation of each Fund or major initiative.

5.87 An evaluation should answer the questions:

- Have benchmarks been established?
- Have appropriate measurement systems been established?
- Have targets been set?
- What outcomes have been achieved?
- Are there negative unintended outcomes?
- Can measured outcomes be attributed to the Fund (including consideration of other factors)?

RDC lacks policy to ensure evaluation

5.88 We noted that there are no formal policies and procedures that would direct RDC to evaluate the results of its Funds and projects upon conclusion. An appropriate policy should ensure that an evaluation does occur and that standard procedures are followed.

Recommendation

5.89 We recommended RDC develop policy to ensure a formalized evaluation upon program conclusion.

RDC response

5.90 *By way of long-standing practice, RDC has conducted formal evaluations of all of its major initiatives and will continue to do so in the future.*

No evaluation done for the Total Development Fund

5.91 RDC initially announced the Total Development Fund in February 2001 as a \$30 million fund to be spent over three years. At the end of this period, RDC had only spent approximately \$15 million. RDC staff informed us they still plan to spend another \$15 million on total development projects over an unspecified period of time in the future. RDC did not evaluate the results of the Total Development Fund despite the conclusion of the three-year announced time frame. In our opinion, government should have publicly reported at the end of that time period clearly stating what was accomplished.

Recommendation

5.92 We recommended RDC ensure a formal evaluation is done upon program conclusion. Results of such an evaluation should be reported to the Legislative Assembly and the public.

RDC response

5.93 *As indicated above, we conduct an evaluation for all major initiatives which fall under the mandate of RDC. The results of these evaluations are communicated to our stakeholders and to the public.*

Our comments on RDC's response

5.94 As noted above, RDC did not complete a formal evaluation of the Total Development Fund at the end of the announced time period. If Funds are to continue, we believe RDC should still report on what happened during the initial time period.

An Evaluation of the Acadian Peninsula Economic Development Fund (APEDF) was done

5.95 Even though the APEDF was not completed until 2004, we were very pleased to see that RDC undertook a formal program evaluation in 2003. Furthermore the consultant's report was made public and we see this as very positive.

5.96 The consultant observed that "unfortunately, for the purposes of this evaluation, the initiative itself did not provide any evaluation framework or identify success indicators for the various objectives."

5.97 What the consultant was referring to is that while the Fund had objectives, vague terminology such as "develop value-added projects", "maximize the use of existing infrastructure", "increase local awareness" and "intensify efforts to raise education levels in K to 12", makes it very difficult to measure success, or failure. Each objective should have a desired target. For instance an objective to "develop value added projects", may have a target of five such projects per year.

5.98 The consultant's reference to the lack of an evaluation framework, is recognizing that when the Fund was established there was no indication of what information was to be used in the evaluation process and how this information was to be captured. The result is that the consultant had to develop a number of data collection methods, which included interviews, surveys, focus groups, analyzing internal management documents and individual success stories. And in some instances data was used for time periods that did not coincide with the evaluation period. An example of this was using 2001 Census data to show that the Acadian Peninsula had gained 1,815 jobs between 1996 and 2001. This Census data did not cover the period of the Fund which only began in 1999.

5.99 In looking forward, the consultant recommended "That it is most important to develop an action plan and evaluation framework to measure the impact of any new initiative." And we agree totally with this recommendation.

Recommendation

5.100 We recommended RDC ensure that an appropriate evaluation framework is developed for each of its major Funds.

RDC response

5.101 *We agree with the recommendation.*

Conclusion

5.102 This criterion was partially met. RDC lacks policy to ensure a formal evaluation is completed in accordance with professional standards for all major Funds. An external report was prepared for the APEDF. However, the consultant noted the Fund lacked an evaluation framework and it did not establish success factors for the various objectives.

Reporting on the effectiveness of programs

5.103 Our fifth criterion was:

RDC should report the results of its programs and projects in its annual report in compliance with government policy.

5.104 Government policy describes a departmental annual report as the major accountability document for the Legislative Assembly and general public. This is consistent with our Office's own strategic goal to promote accountability and performance reporting by government, by individual departments and by Crown agencies.

5.105 The annual report serves as the "key public link between the objectives and plans of a government entity and the results obtained." The policy goes on to describe various elements or standards of content, as follows:

To the degree possible, departments and agencies should give a clear account of goals, objectives and performance indicators. The report should show the extent to which a program continues to be relevant, how well the organization performed in achieving its plans and how well a program was accepted by its client groups.

Actual and budget financial information in summary form and a narrative explaining major variances as well as other aspects of financial performance are to be included in all annual reports.

5.106 We examined RDC's 2001-2002 and 2002-2003 annual reports and noted a number of areas of non-compliance with government policy.

No clear account of goals and objectives

5.107 While RDC's annual reports give a description of the primary role of RDC, they lack in specific objectives and goals. A written description is provided for each Fund and the dollars spent within

that Fund for the year in question. While the program descriptions are useful, they do not provide the reader with a clear account of goals or objectives. In other words, they don't tell the public what RDC intended to achieve and how well it performed in achieving those goals.

No detail on the extent to which Funds continue to be relevant

5.108 Presumably programs for economic development funding are announced in response to a need. For example, the Acadian Peninsula Fund was established in response to a recognized economic need in that area. It is important to re-evaluate this type of decision in a timely fashion to ensure that Funds continue to be relevant. Just because a Fund was relevant at the onset, does not always mean it will continue to be relevant indefinitely. The RDC annual reports do not include any discussion on the continued relevance of programs.

Lack of analysis regarding client acceptance

5.109 It is also important to determine to what extent programs (Funds) are accepted by client groups. If government is spending millions of dollars on programs, taxpayers should be assured that such decisions are accepted by the client groups in a way that was intended. The RDC annual reports contain no information on client acceptance.

Lack of information regarding whether monies were spent the way they were intended

5.110 RDC does produce an annual listing of program expenditures. The listing details the projects that were funded and the dollar amounts provided to them. While this is somewhat useful, there is a lack of detail on whether monies were spent the way they were intended. For example, what was government attempting to accomplish, and did it happen?

5.111 RDC provides actual expenditures at both the Fund and project level. However what is missing is the budgeted information and explanation for the differences between the actual and budgeted amounts. The public needs to know not only what dollars were spent on projects, but what was initially budgeted and what explanation exists for any differences.

Costs only provided for one year

5.112 The annual report policy calls for the reporting of "other aspects of financial performance". Part of this could be to ensure readers are provided with adequate information on total project costs. Because RDC's annual reports simply provide detail on spending for the year in question, it is difficult for the reader to know cumulatively how much of the Fund has been spent. For example, the 2003 annual report states that twelve projects under the Total Development Fund

were funded and total expenditures amount to \$5,019,879. We are not told how much of the three-year Fund has been spent to date and how this compares to the total budget.

5.113 It is also useful for readers to know how much funding in total has been provided to a given organization or project. This information is not readily available with the current method of only reporting expenses for the year being reported on. To determine whether the same company or project had received funding in prior years, one would have to go back and look at prior years' reports. It would be more useful for the readers to have cash flow information by fiscal year on each project. Information should be provided for each year the project received funding.

Recommendation

5.114 RDC should ensure its annual report is in compliance with government policy. Specifically its reporting should include:

- **a clear account of goals, objectives and performance indicators;**
- **the extent to which a program continues to be relevant;**
- **how well the organization performed in achieving its plans;**
- **how well a program was accepted by its client groups; and**
- **actual and budgeted financial information in summary form and a narrative explaining major variances as well as other aspects of financial performance. In the case of RDC other important aspects of financial performance could be a description of program dollars spent to date, the total budget for the comparative period and a record of the cumulative amounts of funds provided to a single organization over the time span of a program.**

RDC response

5.115 *We agree that there is an opportunity to review the form and content of our annual report. We will provide a revised report beginning with the fiscal year ended March 31, 2004, taking into full consideration the guidelines offered in [government policy].*

Conclusion

5.116 This criterion was not met. RDC's annual report requires significant improvements in order to function as an appropriate accountability document.

Conclusion on objective

5.117 In summary, RDC does not have satisfactory procedures in place to measure and report on the effectiveness of the provincially funded programs and projects which it administers. The provision,

monitoring and reporting on the success of measurable goals and objectives is necessary to provide accountability for the spending of government monies.

Non-compliance with legislation

5.118 Previously in this chapter we referred to the engagement of a consultant to undertake a formal evaluation of the Acadian Peninsula Economic Development Fund. The consultant was hired without a tender being issued.

5.119 While Section 4(1) of the *Public Purchasing Act* requires a tender to be issued, *Regulation 94-157* does provide for some exceptions.

27.1 Subsection 4(1) of the Act does not apply to the Minister or government funded bodies for the following supplies or services or in the following circumstances:

(b) purchase of services with a total value of less than one hundred thousand dollars where it can be shown that for reasons of specific skills, knowledge or experience, the choice of vendor is limited to one or a very limited number of individuals, provided that the exemption is not used to unduly restrict competition;

5.120 Officials at RDC informed us they feel the hiring of the consultant to do the evaluation falls within this exemption. However, due to a lack of documentation on the part of RDC we were unable to determine whether this exemption was justified. We could find no evidence showing why, for “reasons of specific skills, knowledge or experience”, the choice of vendor was limited to one consultant.

5.121 To prevent government funded bodies from using such exemptions inappropriately, regulation further requires the following:

Where the Minister or a government funded body purchases supplies or services under an exemption listed under section 27.1, the Minister or government funded body shall

(a) ensure documentation is in the file respecting the applicability of section 27.1 to the purchase made, and

(b) ensure that there is documentation from the Minister or head of the government funded body that, in the opinion of the Minister or government funded body, the situation exists that would justify action under section 27.1.

5.122 RDC is in non-compliance with this section of the regulation. RDC engaged a consultant to produce a report on the Acadian Peninsula Economic Development Fund. We could find no evidence of documentation that would justify an exemption under section 27.1 of the regulation.

Recommendation

5.123 We recommended RDC adhere to all aspects of the *Public Purchasing Act* when hiring for services.

RDC response

5.124 *We strive to comply with the provisions of the Public Purchasing Act that apply to RDC. In the case mentioned, we neglected to document the use of an exemption section as required. We will ensure that we comply with all applicable documentation requirements.*