



Ministry of Agriculture, Food and Fisheries

# Tree Fruit Competitiveness Fund (TFCF) Program Assessment Report

Final Report

4-28-2021

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## **1. Executive Summary**

### **1.1. Background**

The Tree Fruit Competitiveness Fund (TFCF), announced in 2018, provides up to \$5 Million in funding over four years for the BC tree fruit sector. The competitiveness fund was meant to align with a recently updated industry strategy aiming to help BC's growers maintain their reputation for innovative practices and quality products. The purpose of the fund is to help growers increase efficiency, sales and productivity levels through projects that support:

- (i) Infrastructure: modernization, such as new or innovative equipment;
- (ii) Marketing: exploring export market opportunities and market development research;
- (iii) Research: cultivator, disease and pest research; and
- (iv) 2018/2019 – 2021/2022 Tree Fruit Replant Top-up Program.

The TFCF was established by way of a grant to the Investment Agriculture Foundation of British Columbia (IAF), and the Tree Fruit Competitiveness (TFC) Program funded by the TFCF is being delivered through a co-administration agreement (Joint Delivery Agreement) between IAF and the BC Fruit Growers Association (BCFGA). Together, these key documents set out the TFC Program in greater detail, including matters such as: the Program's background and objectives; reporting requirements; funding eligibility criteria with respect to participants, activities, and costs; standards of performance; project services, deliverables, and milestones; financial contribution criteria, budget, and eligible costs; terms of payment; marketing, publicity, and communications guidelines; and Program principles and responsibilities.

As a matter of diligence, the Ministry of Agriculture, Food and Fisheries (AFF, the Ministry, or the Province) engaged KPMG to conduct a performance assessment of the TFC Program. The objectives of the assessment were (i) to identify any weaknesses in financial and program delivery processes, (ii) to assess effectiveness of the Program to meet program objectives, and (iii) to provide recommendations for financial and program design and delivery improvements.

This report sets out:

- the scope and primary evaluation criteria of the TFC Program assessment, as specified by AFF (see section 1.2 - Scope and Evaluation Criteria);
- the related detailed evaluation criteria and assessment program (see Appendix 1 – Detailed Assessment Work Plan, Procedures, and Results) which were developed by KPMG in collaboration with AFF, and approved by AFF prior to execution of the assessment by KPMG;
- limitations of / associated with this Program assessment engagement and report (see section 1.3 – Limitations below);
- the assessment procedures performed by KPMG based on the AFF-approved assessment program, and the results and findings of the assessment procedures performed (see section 1.4 - Summary of Assessment Findings, and for further details see Appendix 1 – Detailed Assessment Work Plan, Procedures, and Results and Appendix 2 – List of Interviewees);
- related overall KPMG recommendations for the Ministry's consideration (see section 1.5 - Overall Recommendations).

## 1.2. Scope and Evaluation Criteria

The scope and primary evaluation criteria for this Program assessment included the following:

In-scope Area	Primary Evaluation Criteria
<b>Financial and operational management of the TFCF co-administration agreement</b>	
Financial Review	<ul style="list-style-type: none"> <li>— Are financial records kept in accordance with standard practice and available for inspection when requested?</li> <li>— Does the actual project budget allocations match administration fees for the projects approved and funded?</li> </ul>
Operational Program Review	<ul style="list-style-type: none"> <li>— Program Management &amp; Delivery Review: <ul style="list-style-type: none"> <li>○ Is appropriate documentation of the processes, systems, and internal controls in place?</li> <li>○ Are the necessary resources available (personnel, technology etc.) to adequately manage and administer the grant by the co-administrators?</li> <li>○ Transparency of the administration and implementation of the program through each step of the process: proponent application, project approval, project funding and administration reporting processes</li> <li>○ This should include any proponent and application liaison services provided by the co-administrators and determination of perceived, potential or actual conflict of interest</li> <li>○ Outreach and marketing of the TFCF by the co-administrators</li> </ul> </li> </ul>
TFCF Program Design & Delivery Effectiveness	<ul style="list-style-type: none"> <li>— Review of specific projects funded/declined and otherwise considered by the TFCF to assess effectiveness and thoroughness of: <ul style="list-style-type: none"> <li>○ Is there a clear and timely process for applying for funding?</li> <li>○ Eligibility criteria and impact of each project to the overall competitiveness of the Tree fruit Industry</li> <li>○ Financial reporting and transparency of project budgets – Are the proponents adhering to the required reporting structure in a timely, efficient way?</li> <li>○ Accuracy, timeliness, and efficacy of deliverables to stated project objectives</li> <li>○ Alignment of the project deliverables with the actual work that was undertaken</li> </ul> </li> </ul>

Supporting detailed evaluation criteria used for this assessment are set out in the table in Appendix 1 – Detailed Work Plan. These evaluation criteria are based on the scope and primary evaluation criteria set out in the table above, supplemented by related criteria sourced from the following key documents relevant to the establishment, governance, management and operation of the TFC Program:

- Grant Letter from the Government of British Columbia to IAF (dated March 28, 2018);
- Joint Delivery Agreement between IAF and BCFGA (dated November 13, 2018, as amended by Contribution Agreement Amendment #1 dated August 13, 2019);
- TFC Program 2018-2022 – Roles and Responsibilities (signed by IAF and BCFGA on September 3, 2018);
- BC Government Core Policy and Procedures Manual (CPPM), Policy Chapter 21: Government Transfers; and
- Governance and Management Guidelines for Government Transfers, from the Office of the Comptroller General (dated January 24, 2013).

### **1.3. Limitations**

This assessment engagement was advisory in nature and was conducted in accordance with the scope, terms and conditions set out within our contract for this engagement with the Province. This engagement is not an audit, examination, attestation, special report, agreed-upon procedures, or assurance engagement as those services are defined in Chartered Professional Accountants (CPA) of Canada literature applicable to such engagements conducted by independent auditors and accountants. Accordingly, **this report is intended and authorized solely for distribution to and internal use by the Province, and is not a written communication to third parties by KPMG directly reporting on or expressing a conclusion or any other form of assurance on the subject matter of this report. If the Province wishes to distribute (or to have KPMG distribute) a copy of this report to IAF and/or BCFGA (in draft for their review and feedback, and/or final form for their information), KPMG consents to such distribution provided that both the Ministry and each such third party to receive a copy of the report provides to KPMG a release letter, signed by an authorized representative of the applicable party and with content satisfactory to KPMG in our sole discretion<sup>1</sup>, prior to such distribution.**

This report sets out the results and findings of the assessment procedures performed by KPMG, and related KPMG recommendations for the Province's consideration. Had we performed additional procedures or an audit, review or assurance engagement, other matters might have come to our attention that we would have reported to the Province. While this report provides useful findings and recommendations for the Ministry's consideration, the Province remains solely responsible for: evaluating the adequacy and suitability of the nature, scope, and findings of our assessment procedures and of our recommendations for its purposes; and for determining what KPMG recommendations, if any, to implement. We disclaim any responsibility or liability for losses, damages, or costs incurred by anyone as a result of the unauthorized circulation, publication, reproduction, or use of this report. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such party. We accept no responsibility for any loss or damages suffered by any party as a result of decisions made or actions taken based on this report.

This report reflects our findings as of the dates we conducted our work. We disclaim any intention or obligation to update or revise the findings whether as a result of new information, future events or otherwise. Should additional documentation or other information come to our attention which impacts upon the findings reached in this report, we reserve the right to amend our findings and report accordingly.

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<sup>1</sup> KPMG provided the release letters to the Ministry together with the April 27, 2021 draft of this report; if distribution of the report to IAF and/or BCFGA is to be made, each letter should be signed by an authorized representative of the Ministry, IAF, or BCFGA, as applicable for each letter, and a copy of the signed letters provided to KPMG prior to distribution of the report to the IAF and/or to BCFGA.

## 1.4. Summary of Assessment Findings

Overall:

— we noted that the industry participants we interviewed were generally aware of the TFC Program and considered the TFC Program to be beneficial for the advancement of the Tree Fruit industry;

— however, we noted opportunities for improvement with respect to the governance and administration of the TFC Program.

Our assessment findings are summarized in the table below in relation to each in-scope area and the related primary evaluation criteria; for further details, refer to Appendix 1 – Detailed Assessment Work Plan, Procedures, and Results).

Scope Area	Primary Evaluation Criteria	Summary of Assessment Findings
<b>Financial and operational management of the TFCF co-administration agreement</b>		
Financial Review	<ul style="list-style-type: none"> <li>Are financial records kept in accordance with standard practice and available for inspection when requested?</li> <li>Does the actual project budget allocations match administration fees for the projects approved and funded?</li> </ul>	<ol style="list-style-type: none"> <li>We noted that, although certain financial records for the TFCF, such as the general ledger and underlying supporting documents for non-direct participant payments (e.g. administration costs, Tree Fruit Industry Strategy study cost and BCFGA industry support services) were kept in accordance with standard practice and available for inspection, financial records related to direct participant payments (i.e. project invoices/receipts) were not always retained and available for inspection. Specifically, project invoices or supporting documents for project disbursements were not retained by IAF. KPMG was informed by Michelle Koski (Executive Director, IAF) that proponents report their spending against their approved budget using a reporting template provided by IAF, and IAF does not require submission of invoices at the time of reporting. KPMG was informed by Michelle Koski that proponents are required to keep their receipts and supporting documents in case of an audit, however IAF has not audited any of the program proponents to date.</li> <li>To December 31, 2020, net \$204,202 of the total available \$5 million of funding has been expended to December 31, 2020. Ignoring \$1 rounding differences, this net expenditure is comprised of: <ul style="list-style-type: none"> <li>— \$799,949 in project expenses, plus</li> <li>— \$27,613 of BCFGA administration expenses, plus</li> <li>— \$88,190 of IAF administration expenses,</li> <li>— net of investment income of \$711,549.</li> <li>— Also, TFCF had not incurred any expenses related to the Replant Top-up Program Costs.</li> </ul> </li> </ol>

Scope Area	Primary Evaluation Criteria	Summary of Assessment Findings
		<p>We noted that Administration fees charged to the TFCF by IAF (\$88,190) and BCFGA (\$27,614) to December 31, 2020 were less than the related budget allocations for the entire program (6% of \$3.5M for IAF and 4% of \$3.5M for BCFGA) by \$121,810 and \$112,386 respectively. Additionally, we noted that the Contribution Agreement specified in Schedule B that interest earned on program funds will be invested back into the Direct Participant Payments portion of the fund subject to the same overall 10% Administration costs; accordingly, given that interest earned to December 31, 2020 was \$711,549, there is a further \$71,155 (rounded) of budget available for Administration fees.</p> <p>However, Administration fees to December 31, 2020 exceed the specified percentages (in Contribution Agreement Amendment #1) of expenditures on projects approved and funded to December 31, 2020, as detailed below:</p> <ul style="list-style-type: none"> <li>— IAF administration expenses charged of \$88,190 are \$40,193 greater than 6% of the \$799,949 in project expenditures to December 31, 2020. KPMG was informed by Michelle Koski (Executive Director, IAF) that (i) IAF's administration fee was calculated based on expenses incurred by IAF and allocated based on time spent by IAF staff, and (ii) IAF's administration fee was recorded in the TFCF general ledger but had not been paid out to IAF.</li> <li>— BCFGA's administration fees charged to date represented 4% of the total funding of TFC projects up to July 22, 2020, in line with the TFCFC Program budget allocations, with the exception that BCFGA charged a 10% administration fee for the Tree Fruit Industry Strategy Study conducted by Globalwise Inc (i.e. the "Globalwise Study") instead of the 4% charge applied after the Joint Delivery Agreement was signed. KPMG was informed by Michelle Koski (Executive Director, IAF) and Glen Lucas (General Manager, BCFGA) that the Globalwise Study was initiated prior to IAF and BCFGA signing the Joint Delivery Agreement (dated November 13, 2018) and, at that time, BCFGA charged 10% of the invoice as an administration fee.</li> </ul>
Operational Program Review	<ul style="list-style-type: none"> <li>• Program Management &amp; Delivery Review: <ul style="list-style-type: none"> <li>○ Is appropriate documentation of the processes, systems, and internal controls in place?</li> </ul> </li> </ul>	<p>3. We noted that, although the TFC Program has certain documents outlining the establishment, governance, management and operation of the TFC Program, certain elements of the governance and administration of the TFC Program were either not documented or insufficiently documented and communicated:</p> <ul style="list-style-type: none"> <li>— KPMG was informed through interviews with the industry participants who attended the convention and noted by inspection of the meeting agenda and of a subsequent press release in December 2018, that the TFC Program was initially announced in February 2018 at the BCFGA Annual Convention. We did not identify any other</li> </ul>

Scope Area	Primary Evaluation Criteria	Summary of Assessment Findings
		<p>documentation of announcement of the program in February 2018 and we did not note any mention of the TFC Program in our inspection of the Minister of Agriculture's speaking notes for the February 2018 BCFGA Annual Convention.</p> <ul style="list-style-type: none"> <li>— Schedule D of the Joint Delivery Agreement (dated November 13, 2018) indicates that all advertisements, including print advertisements, must have prior approval from the Province. However, the Joint Delivery Agreement does not define what constitutes an advertisement which would require the Ministry's pre-approval. In addition, through the interviews conducted we noted differing views between BCFGA and IAF as to what required the Ministry's pre-approval. Specifically, KPMG was informed by Glen Lucas (General Manager, BCFGA) that industry publications do not require prior approval from the Province, but KPMG was informed by Michelle Koski (Executive Director IAF) that all public facing materials need to be approved by the Province.</li> <li>— Through inspection of a Letter from the Ministry (dated December 14, 2020), we noted that the TFC Program was put on hold by the Ministry in December 2020. Subsequently in February 2021, the Adjudication Committee approved six projects. KPMG was informed by Georgina Beyers (Director Industry Development, Ministry) that projects were approved even though the TFC Program was on hold, because the Ministry was informed that these were time sensitive projects and they were in the processing queue before the TFC Program was put on hold. KPMG was informed by Glen Lucas (General Manager, BCFGA) that there was no written documentation relating to the temporary unfreezing of the program.</li> <li>— We noted that, prior to application intake, there is an application development process where BCFGA assists applicants with the development of their applications. Although the application development process is known to the Ministry, IAF and BCFGA, other than the Joint Delivery Agreement (as amended per Contribution Agreement Amendment #1) there is no formal documentation defining and detailing the roles and responsibilities for this key process.</li> </ul> <p>Through inspection of supporting documents:</p> <ul style="list-style-type: none"> <li>○ We noted that BCFGA's assistance to applicants/proponents included the following activities, which were in line with Schedule B of Contribution Agreement Amendment #1: <ul style="list-style-type: none"> <li>▪ assisting with drafting the application form;</li> </ul> </li> </ul>



Scope Area	Primary Evaluation Criteria	Summary of Assessment Findings
		<ul style="list-style-type: none"> <li>▪ providing feedback on the application form;</li> <li>▪ presenting at seminars to educate growers as part of project implementation; and</li> <li>▪ assisting with the setup of websites and paying certain costs upfront (e.g. lawyers fee and marketing) as part of project implementation.</li> </ul> <ul style="list-style-type: none"> <li>○ We noted that IAF's eligibility review of the applications was performed manually by checking the project information against the eligibility criteria on IAF's website. There was no checklist to assist with or document the eligibility assessment. In addition, we did not note any evidence that sufficiency and content of information included in the application were assessed as part of the eligibility check.</li> </ul> <ul style="list-style-type: none"> <li>— We noted that BCFGA Technical Review Committee (TRC) records of decision (ROD) did not include detail scoring criteria or considerations that the TRC discussed; for example, some projects had an "approved" recommendation with no further details on why it was recommended for approval.</li> <li>— We noted that the IAF Adjudication Committee's purpose, structure and project evaluation criteria were not formally documented; specifically, the IAF Adjudication Committee does not have documented Terms of Reference (TOR).</li> <li>— We noted that, although representatives of the Province attended TRC and IAF Adjudication Committee meetings and ad-hoc updates were provided to the Province, there was no formal reporting mechanism from the administrators to the Province and there were no established performance measures to enable the Province to assess success of the TFC Program. Specifically, there was no overarching report detailing program activities and metrics (e.g. marketing activities conducted to date, application intake volume, summary of program financials) and program risks and challenges (e.g. emerging trends and any non-compliance issues).</li> <li>— We noted the Grant Letter from the Province required IAF to provide a detailed report by March 31, 2019. However, KPMG was informed by Michelle Koski (Executive Director, IAF) that this report was not provided as there were no results or accomplishments to be reported.</li> <li>— We noted that, although a whistleblower raised concerns to IAF over the ethical practice of a proponent and the appropriate use of the funds for the project, no further action was taken by IAF as the whistleblower decided to not formally file an</li> </ul>



Scope Area	Primary Evaluation Criteria	Summary of Assessment Findings
	<p>program through each step of the process: proponent application, project approval, project funding and administration reporting processes</p> <ul style="list-style-type: none"> <li>○ This should include any proponent and application liaison services provided by the co-administrators and determination of perceived, potential or actual conflict of interest</li> </ul>	<p>application status. However, we noted that the communication of information and implementation of certain TFC program processes were not always transparent or particularly clear to internal (e.g. co-administrators, committee members) or external (e.g. public or applicant) stakeholders; examples noted are as follows:</p> <ul style="list-style-type: none"> <li>— Several interviewees indicated there was a lack of clarity/transparency in (i) the roles and responsibilities of IAF and BCFGA with respect to the application intake process; (ii) the role of the BCFGA Technical Review Committee and IAF Adjudication Committee (e.g. who is on the committee and the authority/purpose of the committee); (iii) the decision-making process; and (iv) the amount of funds available for funding.</li> <li>— The recommended scoring criteria and funding priorities per the Globalwise Study were initially adopted by the BCFGA TRC, however we noted that the BCFGA TRC deviated from these recommended scoring criteria within 9 months of adoption. KPMG was informed by Glen Lucas (General Manager, BCFGA) that new rating criteria were adopted in practice by the TRC beginning in July 2019 and formally codified in October 2020. We noted that the updates/changes were not published on BCFGA's website, and we noted the following with respect to the new criteria (per the new rating sheet dated October 29, 2020): <ul style="list-style-type: none"> <li>○ The new rating criteria include the "importance" of projects (other than those related to research and pest management) and whether/how the project will have a "significant impact". However, "importance" and "significant impact" are not clearly defined.</li> <li>○ The new rating criteria for research and pest management projects are based on whether it is "needed research", however what is considered "needed research" is not defined.</li> <li>○ Two priorities identified in the Globalwise Study, namely, "Enter Canadian partnership for new variety development" and "Strengthen social media presence of BC packers and marketers", are replaced in the new criteria with "Join variety clubs in export markets, focusing on Ambrosia clubs" and "Introduce new industry capabilities in e-commerce". Per the updated rating sheet, these changes to the priority list better reflect two other studies: the 2016 Lembke and Cartier study, and the November 2011 Tree Fruit Industry Working Group report (note: KPMG has not obtained or inspected these other studies).</li> </ul> </li> </ul>

Scope Area	Primary Evaluation Criteria	Summary of Assessment Findings
	<ul style="list-style-type: none"> <li>○ Outreach and marketing of the TFCF by the co-administrators</li> </ul>	<ul style="list-style-type: none"> <li>— KPMG was informed by one BCFGA TRC member that their understanding of a conflict of interest is a “direct personal gain”. This understanding was not aligned with the conflict of interest definition per the BCFGA TOR, which covered a real, perceived or potential conflict of interest.</li> <li>— Through inspection of supporting documents and based on interviews, KPMG noted that BCFGA and its subsidiaries applied directly to the TFC Program for project funding, which was not aligned with article 7 – Conflict of Interest of the Joint Delivery Agreement dated November 13, 2018. Through interviews with IAF and BCFGA, KPMG was informed that Schedule B of the Contribution Agreement Amendment #1 dated August 13, 2019 was subsequently signed, and \$75,000 was budgeted to BCFGA for their industry support services, on the condition that BCFGA or any of its subsidiaries do not apply directly to the TFC program for project funding.</li> <li>— One BCFGA Technical Review Committee member was not aware that the TFC Program was on hold since December 2020.</li> <li>— Once documented/finalized, the records of decision (ROD) were not circulated to the BCFGA TRC members. In the absence of formal meeting minutes for the TRC meeting, the ROD was the formal documentation of the key decisions and discussions taken place at the TRC meeting.</li> <li>— Although IAF Adjudication Committee members informed us that IAF staff performs a conflict of interest check before applications are presented to the committee, KPMG was informed by IAF staff that the eligibility check did not include an explicit check for conflict of interest; however, if the program manager inadvertently came across a conflict of interest issue during the eligibility check, this would be escalated internally at IAF.</li> </ul> <p>6. KPMG was informed by Michelle Koski (Executive Director, IAF) and Alana Wilson (Senior Program Manager, IAF) that BCFGA is responsible for marketing the TFC program and IAF is responsible for marketing the TFC program on the IAF website. Through inspection of each co-administrator’s website and selected marketing materials, we noted that marketing activities were being carried out accordingly. We also noted that seven of the eight marketing materials we selected for inspection were made available to the broader tree fruit industry; the one exception was a draft publication used to support in-person presentations to the three largest packinghouses, which was not made available to the broader tree fruit industry.</p>

Scope Area	Primary Evaluation Criteria	Summary of Assessment Findings
TFCF Program Design & Delivery Effectiveness	<ul style="list-style-type: none"> <li>• Review of specific projects funded/declined and otherwise considered by the TFCF to assess effectiveness and thoroughness of:               <ul style="list-style-type: none"> <li>○ Is there a clear and timely process for applying for funding?</li> <li>○ Eligibility criteria and impact of each project to the overall competitiveness of the Tree fruit Industry</li> </ul> </li> </ul>	<p>7. As discussed in finding #4 above, we noted that there was no application in-take window for the TFC program and there was no structured timeline for applying funding. We also noted, based on inspection of a selection of documents, that the average turnaround time between when an application was received by IAF and when the application result was communicated to the applicant was 38.3 days for approved projects, and 100.5 days for declined projects. We also noted that, because copies of confirmation receipts sent to applicants were not always retained by IAF, it was not always possible to measure the turnaround time based on confirmation receipt date.</p> <p>8. Through inspection of documentation related to selected projects, we noted that although the projects met the defined eligibility criteria, the application package did not always include sufficient information, including impact of each project. Specifically, we noted the following:</p> <ul style="list-style-type: none"> <li>— Four projects were reviewed at the BCFGA TRC level but were not forwarded to the IAF Adjudication Committee for review. Of these, three projects required additional information, and one project was declined at the BCFGA TRC level on the basis it was related to a previously declined project. This was not in line with BCFGA TRC's TOR which states that the purpose of the TRC is to recommend to the IAF the approval or decline of projects, with rationale.</li> <li>— Application forms were not always signed by the applicant.</li> <li>— Application forms did not always include the business/association number, which was required on the form.</li> </ul> <p>In addition, we noted that, for projects that were considered eligible and approved for funding, the project's funding priority did not always align with the recommended funding priorities outlined in the Globalwise Study. For example, of the 11 applicant projects approved as of February 10, 2021:</p> <ul style="list-style-type: none"> <li>— There were no projects related to the funding priority "Strengthen social media presence of BC packers and marketers" which was a funding priority originally included in the Globalwise Study. We further noted that, in the BCFGA TRC's updated rating sheet (dated October 29, 2020), this funding priority was taken out.</li> <li>— There were two projects related to the funding priority "Share best practices of top</li> </ul>

Scope Area	Primary Evaluation Criteria	Summary of Assessment Findings
	<ul style="list-style-type: none"> <li>Financial reporting and transparency of project budgets – Are the proponents adhering to the required reporting structure in a timely, efficient way?</li> <li>Accuracy, timeliness, and efficacy of deliverables to stated project objectives</li> <li>Alignment of the project deliverables with the actual work that was undertaken</li> </ul>	<p>performing BC growers”. However, this funding priority was not explicitly listed as a standalone funding initiative in the Globalwise Study.</p> <ul style="list-style-type: none"> <li>There were two projects related to the funding priority “IPM or invasive pest research” which was not included in the Globalwise Study as a funding priority.</li> </ul> <p>9. We noted that project budgets were included in the proponent’s application forms and monitored against the proponent’s project deliverables by IAF. Based on analysis of the approved applicant projects and through inquiry with IAF, KPMG was informed and noted that:</p> <ul style="list-style-type: none"> <li>Proponents did not always provide project deliverables in a timely manner.</li> <li>For example, for eleven approved applicant projects, project disbursements of \$692K were lower than the approved budget of \$1.57M by approximately \$880K, mainly due to project deliverables not yet due (\$536K), late submission of reporting deliverables (\$105K), and additional information pending from the applicant (\$232K).</li> <li>As a result, committed funding was not always fully utilized to date.</li> <li>For project deliverables submitted by the proponent, we noted that IAF assesses the project deliverables against original project objectives to determine whether project disbursement is appropriate, and there is segregation of duties in place before disbursement is released to the proponent. No exceptions were noted with respect to IAF’s review of the project deliverables’ accuracy or efficacy. However, as described in finding #9 above, Proponents did not always provide project deliverables in a timely manner and, as a result, committed funding was not always fully utilized.</li> </ul> <p>10. As noted in finding #1 above, IAF does not require the proponent to submit invoices as part of their project deliverables. Due to the lack of project invoices received/retained by IAF, and given that IAF has not carried out any proponent audits since the inception of the TFC Program, it was not always possible to determine if the reported project deliverables submitted by proponents were aligned with the actual work undertaken.</p>

## **1.5. Overall Recommendations**

In consideration of the findings of this Program assessment, we recommend that the Ministry strengthen / require strengthening of the governance framework over the administration of the TFC Program to provide more structure and formality. It is our view that this will help bring transparency and improved effectiveness to the existing processes and will better enable the Ministry to monitor the TFC Program going forward.

Examples of ways to strengthen the governance framework include the following:

- Clarifying, documenting, and communicating the strategic direction of the TFC Program, including specifying the Program's priorities, eligibility criteria and performance measures;
- Defining and documenting the administration arrangement of the grant and specifying the roles and responsibilities of the administrators. This should include emphasizing the administrators' accountability over proper controls and processes for administering the grant, including maintaining and retaining proper records relating to the TFC Program, and educating committee members on their roles and responsibilities over the program;
- Working with the administrators to determine the communication and marketing strategy for the TFC Program including what information should be made publicly available, target audience of the information, and establishing approval protocols. The purpose of this is to provide sufficient information about the TFC Program that is readily assessable to the broader Tree Fruit Industry;
- Establishing defined timelines for TFC Program processes, including application intake windows and regular cadence to review applications;
- Establishing a formal escalation/communication protocol in place between the Ministry and the administrators to discuss and agree on any changes to the strategic direction or execution of the program (including changes to evaluation criteria or deviations from signed contracts/agreements); and
- Establishing a formal reporting mechanism to enable the Ministry to assess the success of the TFC Program against the Ministry's strategic plans. This formal reporting mechanism should have established performance measures to assess the performance of the TFC Program.

In addition, any stipulations that the Ministry plans to set in place for the administrators should be documented, retained, and be in accordance with the BC Government Core Policy and Procedures Manual, Policy Chapter 21: Government Transfers and the Governance and Management Guidelines for Government Transfers, from the Office of the Comptroller General (dated January 24, 2013).

## Appendix 1 – Detailed Assessment Work Plan, Procedures, and Results

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Procedures and Results
<b>Financial Review</b> <ul style="list-style-type: none"> <li>Are financial records kept in accordance with standard practice and available for inspection when requested</li> <li>Does the actual project budget allocations match administration fees for the projects approved and funded</li> </ul>					
1.1	<p>Financial records are retained and available for inspection.</p> <p>TFC Program financial results are aligned with budget allocations.</p>	<p>The actual financial results for the TFC Program may vary significantly from the agreed budget allocation.</p>	<p>Eligible costs for the TFC Program are aligned with Schedule B of the Joint Delivery Agreement (source #2 – Schedule B).</p>	<p><b>Financial Contribution and Budget (IAF)</b></p> <p>Obtain the latest financial results for the TFC Program and determine if the financial results are in line with the financial budget allocations set out in Schedule B of the Contribution Agreement Amendment #1 (dated August 13, 2019).</p> <p>For variances identified, discuss with IAF to understand the reason(s) for the variance and determine if variances were discussed and approved.</p>	<p>Obtained the Contribution Agreement Amendment #1 (dated August 13, 2019) from Natalie Janssens (Manager of Programs &amp; Strategic Initiatives, IAF) and the financial results from April 1, 2018 to December 31, 2020 (the “period”) for the TFC Program from Michelle Koski (Executive Director, IAF).</p> <p>By inspection, compared the financial results from April 1, 2018 to December 31, 2020 to the financial contribution table set out in Schedule B of the Contribution Agreement Amendment #1 (dated August 13, 2019) (the “budget”) and noted the following:</p> <ul style="list-style-type: none"> <li>— To December 31, 2020, net \$204,202 of the total available \$5 million of funding has been expended to December 31, 2020. Ignoring \$1 rounding differences, this net expenditure is comprised of: \$799,949 in project expenses, \$27,613 of BCFGA administration expenses (comprised of \$19,368 admin fee @ 4% on project expenses and \$8,245 charged at 10% on the Globalwise study expense), and \$88,190 of IAF administration expenses, net of investment income of \$711,549.</li> <li>— We noted that Administration fees charged to the TFCF by IAF (i.e. \$88,190) and BCFGA (\$27,614) to December 31, 2020 were less than the related budget allocations for the entire program (i.e. 6%</li> </ul>



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					<p>of \$3.5M for IAF and 4% of \$3.5M for BCFGA) by \$121,810 and \$112,386 respectively).</p> <ul style="list-style-type: none"> <li>— All eligible costs incurred up to December 31, 2020 were under budget <u>with the exception of the Tree Fruit Industry Strategy Study (Globalwise) cost. Per Schedule B of the Contribution Agreement Amendment #1 (dated August 13, 2019), the Tree Fruit Industry Strategy Study conducted by Globalwise Inc (i.e. the "Globalwise Study") had an allocated cost of \$82,450 but the actual cost was \$90,695 (i.e. \$8,245 or 10% over the allocated cost). Inspected the invoice for this eligible cost and noted the variance of \$8,245 represented BCFGA's administration fee, which was 10% of Globalwise's invoice. Inquired Michelle Koski (Executive Director, IAF) and Glen Lucas (General Manager, BCFGA), and was informed that the Globalwise's Tree Fruit Industry Strategy Study was initiated prior to IAF and BCFGA signing the Joint Delivery Agreement (dated November 13, 2018), and at that time BCFGA charged 10% of the invoice as admin fee. Per Michelle Koski, KPMG was informed that the invoice was paid on August 22, 2018;</u></li> <li>— In addition to the \$8,245 administration fee (mentioned above), BCFGA also charged administration fee of \$19,368 during the period. See workplan reference step 1.2 below for details;</li> <li>— <u>IAF administration expenses charged to date of \$88,190 are \$39,698 greater than 6% of the \$808,194 in project expenditures to date (to December 31, 2020. Inquired Michelle Koski (Executive Director, IAF) and Judy Jacklin (Senior Manager, IAF Finance) and was informed that</u></li> </ul>

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					<p>IAF's administration fee was calculated based on expenses incurred by IAF, and expenses were allocated and recorded to the TFC Program based on time spent by IAF staff. We were further informed that IAF's administration fee was recorded in the TFCF general ledger but had not been paid out to IAF. Per Michelle Koski, IAF's financial statements for the year ended December 31, 2020 were audited by an independent audit firm and no internal control deficiencies were identified as part of the audit. Inspected an extract of the auditor's report for IAF's financial statements for the year ended December 31, 2020, and noted the same;</p> <ul style="list-style-type: none"> <li>— TFC Program earned a total of \$711,549 in investment income from April 1, 2018 to December 31, 2020, We noted that the Contribution Agreement specified in Schedule B that interest earned on program funds will be invested back into the Direct Participant Payments portion of the fund subject to the same overall 10% Administration costs; accordingly, given that interest earned to December 31, 2020 was \$711,549, there is a further \$71,155 (rounded) of budget available for Administration fees.</li> <li>— No more than 40% of the total Direct Participant Payments were expended in any one fiscal year, which was in line with the requirement per Schedule B of the Contribution Agreement Amendment #1 (dated August 13, 2019) bullet point #2.</li> </ul> <p>By inspection of the financial results against the budget, noted the TFC Program's expenditures were significantly under budget to date due to the following:</p>

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					(i) Low application intakes; and (ii) TFCF had not incurred any expenses related to the Replant Top-up Program Costs.
1.2	<p>Financial records are retained and available for inspection.</p> <p>Project administration fees approved and funded align with the project's budget.</p>	Unauthorized or inappropriate expenses may be funded under the TFC program.	Funds are recorded and reported accurately, completely and timely (source #4 – section 21.3.3(1))	<p><b>Financial Contribution – Non-Direct Participant Payments (IAF)</b></p> <p>For a selection of non-direct participant payments incurred (i.e. administration costs, project related costs other than direct participant payments), trace to underlying supporting documents (e.g. approved invoices) to determine if the payment is valid and has been authorized.</p>	<p>Obtained and inspected the general ledger breakdown of the non-direct participant payments for the TFC Program from Michelle Koski (Executive Director, IAF) for the period from April 1, 2018 to December 31, 2020. For the following selected non-direct participant payments, traced amounts from IAF's general ledger reports to the underlying invoice/supporting documents:</p> <ul style="list-style-type: none"> <li>BCFGA's administration fee of \$19,368. Inquired Glen Lucas (General Manager, BCFG) and was informed that BCFG's administration fee was calculated and invoiced at 4% of total project funding to date. Through inspection and recalculation of the underlying invoice for BCFG's administration cost, noted BCFG's administration cost was calculated as 4% of the total funding of TFC projects up to July 22, 2020, with no exceptions noted. In addition, through inspection of the underlying invoice, noted the invoice included 5% Goods and Services Tax (GST) (i.e. \$968.38). Per Schedule B of the Contribution Agreement Amendment #1 (dated August 13, 2019) bullet point #7, no portion of the fund is payable to GST with respect to the parties' services and activities as specified in schedule A of the agreement. Inquired Michelle Koski (Executive Director, IAF) and Judy Jacklin (Senior Manager, IAF Finance) and was informed that IAF advised BCFG that GST on BCFG's administration fees was not eligible, and IAF made</li> </ul>

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					<p>a payment to BCFGA excluding the GST. Inspected payment details and noted IAF paid BCFGA's administration fee excluding the GST.</p> <ul style="list-style-type: none"> <li>— Tree Fruit Industry Strategy Study (Globalwise) cost of \$90,695. <u>Inspected the invoice for this eligible cost and noted it included BCFGA's administration fee of \$8,245 (i.e. 10% of Globalwise's invoice).</u> See workplan reference step 1.1 above for details.</li> <li>— BCFGA industry support services of \$25,625. Inspected the invoice for this eligible cost and noted it included a GST amount of \$1,250 (i.e. 5% of the \$25,000 invoiced amount). Inquired Michelle Koski (Executive Director, IAF) and Judy Jacklin (Senior Manager, IAF Finance) and was informed that GST was eligible for this expense because it was an additional service that the Ministry awarded to BCFGA on top of their administration fees. Per Michelle Koski and Judy Jacklin, the BCFGA Industry Support Services fee allotment of \$75,000 was inclusive of any GST that BCFGA has claimed or will be claiming.</li> </ul>
1.3	<p>Financial records are retained and available for inspection.</p> <p>Project administration fees approved and funded align with the project's budget.</p>	Unauthorized or inappropriate expenses may be expensed under the TFC program.	Funds are recorded and reported accurately, completely and timely (source #4 – section 21.3.3(1))	<p><b>Financial Contribution – Direct Participant Payments (IAF)</b></p> <p>For a selection of direct participant payments incurred, trace to underlying supporting documents (e.g. approved invoices) to determine if the payment is authorized, valid and in line with the respective project's</p>	<p>Obtained the breakdown of the direct participant payments for the TFC Program from Michelle Koski (Executive Director, IAF) for the period from April 1, 2018 to December 31, 2020. Selected 3 out of 11 approved applicant projects to trace all direct participant payments for the selected project to the underlying invoice/supporting documents. <u>Noted invoices/supporting documents for 2 out of 3 selected projects were not retained by IAF, which was not in line with article 6 of the Joint Delivery Agreement (dated November 13, 2018).</u> Inquired Michelle Koski (Executive Director, IAF) and was informed that</p>

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				<p>budget.</p> <p><i>(Note: This procedure is to be performed together with step #3.1)</i></p>	<p><u>proponents report their spending against their approved budget using a reporting template provided by IAF, and IAF does not require submission of invoices at time of reporting for this Program. Per Michelle, proponents are required to keep their receipts and supporting documents in case of an audit; however, IAF has not audited any of the program proponents to date.</u></p> <p>For 1 out of 3 selected projects where invoices were available, traced to all direct participant payments to the underlying invoice/supporting documents. <u>Through inspection of the invoices noted IAF reimbursed the proponent for amounts excluding 5% GST as per the Contribution Agreement Amendment #1 (dated August 13, 2019); for 2 out of 10 invoices inspected, the GST exclusion amount was incorrectly calculated. However, this did not impact the amount reimbursed to the proponent as the invoiced amount was over the maximum allowable payment amount.</u></p>
<p><b>Operational Program Review (Program Management &amp; Delivery Review):</b></p> <ul style="list-style-type: none"> <li>○ Is appropriate documentation of the processes, systems, and internal controls in place</li> <li>○ Are the necessary resources available (personnel, technology etc.) to adequately manage and administer the grant by the co-administrators</li> <li>○ Transparency of the administration and implementation of the program through each step of the process: proponent application, project approval, project funding and administration reporting processes</li> <li>○ This should include any proponent and application liaison services provided by the co-administrators and determination of perceived, potential or actual conflict of interest</li> </ul> <p>Outreach and marketing of the TFCF by the co-administrators</p>					
2.1	Outreach and marketing activities are targeted at the	TFC Program may not be marketed to the broader BC	Financial contribution by the Province is	<b>Program Awareness (BCFGA &amp; IAF)</b>	<p><b>IAF's Marketing Activities</b></p> <p>Inquired Michelle Koski (Executive Director, IAF) and</p>

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	<p>broader BC Tree Fruit Industry.</p> <p>Documentation of the program's outreach and marketing activities are retained.</p>	<p>Tree Fruit Industry or only marketed to selected individuals or organizations who are related/ connected parties.</p> <p>There may be a lack of an audit trail to evidence that outreach and marketing activities occurred.</p> <p>TFC Program existence and application process may not be widely known by potential eligible participants or readily accessible.</p>	<p>acknowledged in marketing/ publicity/ communication materials (source #2 – Schedule D, bullet 2).</p> <p>Advertisements have prior approval from the Province (source #2 – Schedule D, bullet 3).</p> <p>TFC Program is promoted using IAF's existing mechanisms (source #3).</p> <p>TFC Program is promoted and marketed by BCFGA across BC (source #3).</p>	<p><u>BCFGA &amp; IAF</u></p> <p>Obtain an understanding of the industry outreach and awareness activities conducted to date.</p> <p>Obtain an understanding of how marketing, publicity and communications are determined, including how the target market is determined and the approval process for such activities.</p> <p>For a selection of outreach and awareness activities, determine if:</p> <ul style="list-style-type: none"> <li>(i) financial contribution by the Province was acknowledged in the marketing materials;</li> <li>(ii) prior approval from the Province was obtained for advertisements;</li> <li>(iii) the activity was made available to the broader Fruit Tree Industry or targeted at selected individuals/organizations; and</li> <li>(iv) determine if the outreach and awareness activities were targeted at related/connected</li> </ul>	<p>Alana Wilson (Senior Program Manager, IAF) and was informed that BCFGA is responsible for marketing the TFC program and IAF is responsible for marketing the TFC program on the IAF website.</p> <p>Inspected the IAF website on March 12, 2021 and noted the following information available to the public:</p> <ul style="list-style-type: none"> <li>— information relating to the TFC Program funding process, program objectives, eligible participants, eligible activities, funding, project review and funding acknowledgement requirements under the Programs section of the IAF website; and</li> <li>— applications were on hold until further notice due to the Government of BC's review of the program.</li> </ul> <p><b>BCFGA's Marketing Activities</b></p> <p>Inquired Glen Lucas (General Manager, BCFGA) and was informed of the following:</p> <ul style="list-style-type: none"> <li>— Initiation of the TFC Program was announced by the Ministry at the BCFGA 2018 Annual Convention followed by a press release. Inspected the BCFGA 2018 Annual Convention meeting agenda and noted that Lana Popham, Minister of Agriculture spoke at the convention. Inspected the Minister of Agriculture's speaking notes and noted there was no specific mention of TFCF in the speaking notes. However, interviewees mentioned that the TFC Program was announced during the BCFGA 2018 Annual Convention. Further inspected the Ministry's news release dated December 13, 2018 and noted it mentioned that the TFC Program was announced in February 2018.</li> <li>— BCFGA raised awareness of the program through:</li> </ul>

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				<p>parties of BCFGA/IAF.</p> <p>For a selection of industry participants (either through interview or industry questionnaires), determine their level of awareness of the TFC Program.</p>	<p>(i) industry publications in two key industry magazines/ publications; (ii) BCFGA's website; (iii) in-person meetings with industry participants / applicants; and (iv) interviews conducted with Glen Lucas in industry publications.</p> <ul style="list-style-type: none"> <li>— Publishing in industry magazines and other publications are targeted to be frequent but not in every publication, with the ideal timeframe being after harvest (i.e. after October to February) for publications targeted at growers and anytime during the year for IT-related publications.</li> <li>— <u>Publications and marketing materials produced by BCFGA do not require the Ministry's approval.</u></li> <li>— For subsequent advertisement where there is placement and acknowledgement of the Ministry's logo, Glen Lucas believes that IAF runs this by the Ministry.</li> </ul> <p>Inspected the BCFGA website on March 12, 2021 and noted the website contained the following information available to the public:</p> <ul style="list-style-type: none"> <li>— information relating to TFC Program in the Industry section under "Initiatives and Programs" of the BCFGA website;</li> <li>— IAF and BCFGA's contact information for assistance in preparing / completion the project application. <u>Noted the BCFGA's website contained contact details for Coreen Berrisford (former Director of Client Relations, IAF), who left IAF in June 2019;</u></li> <li>— Application form, rating sheet, program launch announcement and industry strategy update were available for download. <u>Noted BCFGA's website contained the project scoring criteria (dated</u></li> </ul>

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					<p>December 10, 2018) which was superseded by the updated rating criteria (dated October 29, 2020), which was adopted in practice beginning July 2019 and formally codified in October 2020. However, through inspection of the updated rating criteria (dated October 29, 2020), noted the updates/changes were not published;</p> <ul style="list-style-type: none"> <li>— Email address (i.e. <a href="mailto:funding@iafbc.ca">funding@iafbc.ca</a>) of where the completed applications should be submitted to.</li> </ul> <p>Obtained a listing of outreach and marketing activities conducted by BCFGA since the inception of the TFC Program from Glen Lucas (General Manager, BCFGA) and noted these activities mainly related to publications in industry magazines and articles on BCFGA's website. For a selection of 8 out of 33 publications, noted the following:</p> <ul style="list-style-type: none"> <li>— Financial contribution made by the Province was acknowledged in the marketing materials;</li> <li>— The selected publications did not have the Ministry's pre-approval. Per Schedule D of the Joint Delivery Agreement (dated November 13, 2018), all advertisements, including print advertisements, must have prior approval from the Province. However, the Joint Delivery Agreement did not define what constitutes an advertisement. In addition, in interviews we noted differing views from BCFGA and IAF on what required the Ministry's pre-approval. KPMG was informed by Glen Lucas (General Manager, BCFGA) that industry publications do not require prior approval from the Province. Per Michelle Koski (Executive Director IAF, all public facing materials need to be approved by the Province, and IAF plays a</li> </ul>



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					<p><u>facilitating role to ensure BCFGA's communication products are in compliance.</u></p> <p>— <u>For 1 out of 8 selected marketing materials, noted it was a draft publication used to support in-person presentations on government funding opportunities and was informed by Glen Lucas (General Manager, BCFGA) that the targeted audience of the presentations are the three largest packinghouses. Hence, this marketing material was not available to the broader tree fruit industry.</u></p> <p><b>Industry Participant's Awareness of the Program</b></p> <p>Interviewed four industry participants and noted they were aware of the TFC Program through various mediums including the BCFGA Annual Convention, industry publications, BCFGA website, IAF website and through industry contacts. In addition, <u>KPMG was informed by interviewees of the following suggested areas for improvement with respect to the TFC Program:</u></p> <p>— <u>There was a lack of a structured timeline or dates to assist applicants with their application submission timing;</u></p> <p>— <u>Contact information was not always up to date on forms or the BCFGA website;</u></p> <p>— <u>There was a lack of regular updates on the TFC Program, specifically it was not clear to applicants how much available funding was left;</u></p> <p>— <u>There was a lack of clarity in the roles and responsibilities of IAF and BCFGA with respect to the application intake process;</u></p> <p>— <u>There was a lack of clarity in the role of the BCFGA Technical Review Committee and IAF Adjudication Committee (e.g. who is on the</u></p>

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					<p><u>committee and the authority/purpose of the committee); and</u></p> <p>— <u>There was a lack of transparency in the decision-making process.</u></p> <p><b>Program Status</b></p> <p>Inspected the Letter from the Ministry (dated December 14, 2020) informing the BCFGa and IAF that the TFC Program was put on hold until review of the program was completed and further direction was provided. Inquired of Glen Lucas (General Manager, BCFGa) and was informed that the Assistant Deputy Minister verbally agreed to temporarily unfreeze the TFC program in early 2021 to allow for projects that were in the queue before the TFC program was put on hold to be reviewed and processed. <u>However, per Glen Lucas, there was no written documentation relating to the temporary unfreezing of the program.</u></p> <p>Through inspection of Adjudication Committee Meeting minutes dated February 19, 2021, noted that six projects were approved during that meeting and Michelle Koski (Executive Director, IAF) reminded the committee that the TFC Program is on hold and no further applications will be accepted until completion of the external assessment of the program. Inquired Georgina Beyers (Director Industry Development, Ministry) and was informed that the TFC Program was still on hold pending completion of the program assessment, and projects were reviewed in February 2021 by the Committees as the Ministry was informed by BCFGa that these projects were time sensitive.</p> <p>In addition, through interviews, <u>KPMG was informed that one BCFGa Technical Review Committee (TRC)</u></p>

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					<u>member was not aware that the TFC Program was on hold since December 2020.</u>
2.2	<p>Documentation of the application process is retained.</p> <p>The application intake process is transparent.</p>	<p>TFC Program application process may not be readily accessible to the general public (i.e. to all potential eligible participants).</p> <p>Applicant and project eligibility may not be consistently assessed.</p> <p>IAF may not independently review the applications to assess eligibility prior to passing the application to BCFGA Technical Review Committee.</p> <p>There may be a lack of an audit trail maintained for applications received.</p> <p>Application status</p>	<p>IAF and BCFGA have a systematic process in place for considering applications against eligibility criteria (source #5).</p> <p>There is consideration to select recipients using a fair, open and transparent process (source #5).</p> <p>TFC Program application and client reporting forms/templates are designed (source #3).</p>	<p><b>Application Intake (BCFGA &amp; IAF)</b></p> <p><u>BCFGA</u></p> <p>Obtain an understanding to determine if an application form and client reporting template have been drafted, designed and approved for the TFC Program, and whether this form is readily available to the public.</p> <p><u>IAF</u></p> <p>Obtain an understanding to determine if IAF has a process in place to track applications received, determine eligibility of the applicant and project (including identifying conflict of interest issues), and whether a confirmation receipt has been sent to the applicant.</p> <p>For a selection of applications received for which eligibility criteria were determined by IAF to not be satisfactorily met, inspect the application and other</p>	<p><b>Application Form &amp; Client Reporting Template</b></p> <p>Inquired of Glen Lucas (General Manager, BCFGA) and was informed that BCFGA had input into the design of the application form used for the TFC Program, and the design of the client reporting template was the responsibility of IAF. Inspected the BCFGA website on March 12, 2021 and noted the application form was available to the public through BCFGA's website.</p> <p>Inquired Alana Wilson (Senior Program Manager, IAF) and was informed that the application form and client reporting templates may have been initially designed by IAF as they appear to be similar to the application forms and client reporting templates used by IAF for other programs. <u>Inspected the IAF website on March 12, 2021 and noted the application form and client reporting template were not available to the public through IAF website as the TFC Program was on hold.</u></p> <p><b>Application Development Process</b></p> <p>Inquired Glen Lucas (General Manager, BCFGA) and Alana Wilson (Senior Program Manager, IAF) and was informed that before the application intake process, there is an application development process where BCFGA assists applicants with the development of their application, including providing guidance and feedback. Through inspection of the Contribution Agreement Amendment #1 (dated August 13, 2019), TFC Program 2018-2022 – Roles and Responsibilities (signed by IAF and BCFGA on September 3, 2018), and the TFCF Market, Research &amp; Infrastructure Project Process Chart, <u>noted that the application</u></p>

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		may not be transparent to the applicant.		<p>relevant supporting documents to determine:</p> <ul style="list-style-type: none"> <li>(i) if IAF had evaluated the applicant/project eligibility against the established eligibility criteria as set out in the Joint Delivery Agreement; and</li> <li>(ii) if IAF sent a confirmation receipt to the applicant.</li> <li>(iii) For any applications where a conflict of interest issue was identified, determine if appropriate level of discussion, escalation and resolution took place.</li> <li>(iv) Timely processing of the application from receipt of application, to confirmation of receipt, to application results being communicated to the applicant.</li> </ul> <p>(Note: For testing over applications that met the eligibility criteria, see step #3.1 and #3.2)</p>	<p><u>development activities/process was not mentioned or defined.</u></p> <p>In addition, through inspection of supporting documents, <u>we noted the assistance provided by BCFGA to the applicant/proponent included the following activities which were in line with Schedule B of the Contribution Agreement Amendment #1:</u></p> <ul style="list-style-type: none"> <li>— <u>assisting with drafting the application form for TFC008;</u></li> <li>— <u>providing feedback on the application form for TFC022;</u></li> <li>— <u>presenting at an online tree fruit extension meeting for TFC016 to educate growers, which was part of the project implementation;</u></li> <li>— <u>assisting the proponent with setting up a Go Daddy website and paying certain costs upfront (e.g. lawyers fee and marketing) for TFC009. Inspected BCFGA's invoices to the proponent for project TFC009, and noted a total of \$2,001.97 was invoiced to the proponent. KPMG was informed by Glen Lucas (General Manager, BCFGA) that the amount invoiced to the proponent was to recover costs that BCFGA paid for TFC009 and no administration or other fees were added to the invoiced amount.</u></li> </ul> <p><b>Application In-take Process</b></p> <p>Inquired Alana Wilson (Senior Program Manager, IAF) and was informed of the following:</p> <ul style="list-style-type: none"> <li>— <u>Applications were taken in continuously throughout the year; there was no application in-take window for this program.</u></li> <li>— Completed application forms were sent to</li> </ul>

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					<p><a href="mailto:funding@iafbc.ca">funding@iafbc.ca</a> where they were then forwarded to Alana for eligibility review and project number assignment.</p> <ul style="list-style-type: none"> <li>— The eligibility review of the application was performed by manually checking the project information against the eligibility criteria on IAF's website. <u>There was no checklist to assist with or document the eligibility assessment.</u></li> <li>— <u>The eligibility check did not include an explicit check for conflict of interest. However, if the program manager inadvertently came across a conflict of interest issue, this would be escalated internally at IAF.</u></li> <li>— <u>Sufficiency and content of information included in the application were not assessed during the eligibility check.</u></li> <li>— For applications received, a confirmation receipt was sent to the applicant.</li> <li>— If Alana was not sure of an application's eligibility, she would discuss it with Glen Lucas (General Manager, BCFGA).</li> <li>— For project applications considered eligible, they were entered and tracked in IAF's POD (MS Dynamics) system.</li> </ul> <p>KPMG was informed by Alana Wilson (Senior Program Manager, IAF) that there were no project applications received that were considered not eligible for consideration. Hence, no further testing was completed over applications received for which eligibility criteria were not satisfactorily met (Note: see also section 3.2 below for testing related to project applications not approved by IAF).</p>

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2.3	<p>The BCFGA Technical Review Committee's recommendations are transparent and clearly documented.</p> <p>There is appropriate level of authority and consideration (including conflict of interest consideration) applied when endorsing and recommending projects to IAF for approval.</p>	<p>Applications may be assessed inconsistently by BCFGA Technical Review Committee.</p> <p>Applications may be endorsed and recommended to IAF without appropriate rationale or sufficient documentation.</p> <p>Conflict of interest (perceived or actual) may exist in the BCFGA Technical Review Committee's recommendations.</p>	<p>Applicants and projects meet eligibility criteria (sources #2 and #5).</p> <p>There is consideration to funding characteristics and eligibility criteria for selecting recipients (source #5).</p> <p>There is consideration to select recipients using a fair, open and transparent process (source #5). This includes but is not limited to, where any conflict of interest (perceived or actual) may exist, the BCFGA Technical Review</p>	<p><b>Project / Technical Review (BCFGA)</b></p> <p>Obtain an understanding of:</p> <ul style="list-style-type: none"> <li>(i) the role and responsibilities of the BCFGA Technical Review Committee;</li> <li>(ii) the criteria or consideration factors (including conflict of interest considerations and any related requirements with respect to disclosure to IAF or any potential conflicts of interest) applied by BCFGA when endorsing and recommending projects to the IAF; and</li> <li>(iii) how records of recommendations by the BCFGA are documented and retained.</li> </ul> <p>Obtain and inspect the BCFGA Technical Review Committee terms of reference or formation documents (if available).</p> <p>Obtain and inspect the industry study conducted by</p>	<p><b>BCFGA Technical Review Committee's Role &amp; Responsibilities</b></p> <p>Obtained and inspected the BCFGA Technical Review Committee (TRC) terms of reference (TOR) from Glen Lucas (General Manager, BCFGA) and noted it contained the TRC's purpose, desired outcomes, approach and operation, membership as of October 14, 2020 (which included six voting members and three non-voting members), expenses and secretariat support, meeting schedule for the first 12 months of operations, conflict of interest definition, disclosure and compliance measures, and a confidentiality statement to be signed by each TRC member.</p> <p>Further noted the TOR indicated the TRC is responsible for determining priorities and criteria for approving projects, may encourage project proposals to be developed, review projects, may approve, decline or request for further information or change the project application, and recommend to IAF the approval or decline of projects with rationale.</p> <p>For a selection of 2 out of 9 TRC members, inspected their signed confidentiality statement with no exceptions noted.</p> <p>Through inspection of the TRC TOR and interviews conducted with three of the voting BCFGA TRC members, <u>noted the following exceptions:</u></p> <ul style="list-style-type: none"> <li>— <u>Stephanie Slaman was still listed as a member of TRC even though she relocated and was no longer a member.</u></li> <li>— <u>The meeting schedule was only for the first 12 months of operations with no regular meeting cadence. Per enquiry of Glen Lucas (General</u></li> </ul>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Procedures and Results
			<p>Committee provides clarity on the conflict issue to the IAF for consideration by the IAF Adjudication Committee during its decision process.</p> <p>There is specific assessment of the basis for the amount of the transfer payment sought (sources #2 and #5).</p> <p>BCFGA Technical Review Committee endorses and recommends projects to IAF based on the parameters and priorities established in the industry study by Globalwise</p>	Globalwise Consulting.	<p><u>Manager, BCFGa), KPMG was informed that the TRC meetings were scheduled when applications were received.</u></p> <p><b>BCFGA TRC Evaluation Criteria</b></p> <p><i>Project Evaluation Criteria</i></p> <p>Obtained and inspected the “BC Tree Fruits Industry Competitiveness Fund” final report dated November 28, 2018 prepared by Globalwise Inc (i.e. the “Globalwise Study”), and noted it included priority competitiveness fund initiatives and criteria for project selection. Further noted that the recommended weighted scoring for project selection in the Globalwise Study was adopted by the BCFGa TRC in their rating sheet “Tree Fruit Competitiveness Fund Scoring for Project Selection” (dated December 10, 2018).</p> <p>Based on inquiries with Glen Lucas (General Manager, BCFGa), KPMG was informed that TRC evaluated projects using the rating sheet (dated December 10, 2018) up to June 2019. Per Glen, due to the varying nature of projects, not all projects can be evaluated the same; hence, over time and in practice, new rating criteria emerged, and an updated rating sheet was codified in October 2020. Inspected the TRC’s Records of Decision (ROD) and noted projects were provided a rating out of five up to June 2019. Subsequent to June 2019, no project ratings out of five were documented in the ROD. <u>Noted this change in evaluation criteria was not in line with Schedule E of the Joint Delivery Agreement (dated November 13, 2018), bullet #1(c), which states that a study will be undertaken at the beginning of the program to establish the foundation for recommendations and</u></p>

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			<p>Consulting (source #3).</p> <p>BCFGA Technical Review Committee provides specific rationale to IAF as to why or why not projects are being endorsed and recommended (source #3).</p>		<p><u>decisions made regarding specific projects. We noted that BCFGa TRC deviated from the recommended scoring criteria per the Globalwise Study within 9 months of adopting the recommended scoring criteria.</u></p> <p>Inspected the updated rating sheet (dated October 29, 2020) and noted the following:</p> <ul style="list-style-type: none"> <li>— Importance of projects (other than those related to research and pest management) was evaluated based on how the project will have a significant impact. <u>However, “importance” and “significant impact” were not clearly defined.</u></li> <li>— Funding percentages were applied based on how “important” the project was to industry transformation. If the project was not perceived to contribute to industry transformation, i.e. if the project represents ‘business as usual’, they would be accorded no funding (i.e. 0%).</li> <li>— Research and pest management projects had different evaluation criteria due to (i) the different nature of the project; and (ii) research results were expected to lead to new projects from organizations.</li> <li>— Funding percentages for research and pest management projects were based on how the project will provide “needed research” to advance or benefit the industry. <u>However, what is considered a “needed research” was not defined.</u></li> <li>— Two out of the six high priority initiatives originally identified in the Globalwise Study, namely “Enter Canadian partnership for new variety development” and “Strengthen social media presence of BC packers and marketers”, were replaced with “Join variety clubs in export</li> </ul>



Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Procedures and Results
					<p>markets, focusing on Ambrosia clubs” and “Introduce new industry capabilities in e-commerce”, which were considered to contribute to business transformation and to have increased industry interest. Per the updated rating sheet, these changes to the priority list better reflect two studies, i.e. the 2016 Lembke and Cartier study and the November 2011 Tree Fruit Industry Working Group report. KPMG has not obtained or inspected these other studies.</p> <p><i>Conflict of Interest Consideration</i></p> <p>Based on interviews conducted with BCFGa TRC voting members, KPMG was informed that TRC members are aware of the definition of conflict of interest and would recuse themselves from a project evaluation if there was a known conflict of interest.</p> <p>Through inspection of the ROD dated June 6, 2019, noted a perceived conflict of interest was declared and the respective TRC member was noted as not present at the meeting.</p> <p>Through inspection of the TRC TOR noted the TOR defines a conflict of interest as “conflict between a person’s duties and responsibilities with regard to the review process, and that person’s private, professional, business or public interests”. The TOR provides further examples of when a real, perceived or potential conflict of interest would arise (including for example, when a TRC member has a direct or indirect financial interest in a funding opportunity or application being reviewed). However, <u>based on interview of one BCFGa TRC voting member, KPMG was informed that their understanding of what constitutes a conflict of interest is when there is a direct personal gain.</u></p>

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					<p><u>Specifically, they mentioned if another organization in which they sit on the board of, applies to the TFCF then there is no conflict of interest because no money is received directly by the BCFGA TRC member. This understanding was not aligned with the conflict of interest definition per the TOR.</u></p> <p>Through inspection of email correspondences between the Ministry and BCFGA, and based on interviews, KPMG noted that BCFGA and its subsidiaries applied directly to the TFC Program for project funding, which was not aligned with article 7 – Conflict of Interest of the Joint Delivery Agreement dated November 13, 2018. Through interviews with IAF and BCFGA, KPMG was informed that Schedule B of the Contribution Agreement Amendment #1 dated August 13, 2019 was subsequently signed, and \$75,000 was budgeted to BCFGA for their industry support services, on the condition that BCFGA or any of its subsidiaries do not apply directly to the TFC program for project funding. KPMG noted the same when performing testing over the individual projects, for details refer to workplan step #3.1 below.</p> <p><b>BCFGA TRC Documentation and Retention</b></p> <p>Inquired Glen Lucas (General Manager, BCFGA) and was informed that meeting materials are provided to the TRC members in advance of the TRC meeting, which can range from a day to a week before the meeting. <u>Per Glen, he previously received feedback from committee members about providing the meeting materials further in advance of meeting and he acknowledged this is an area he can improve on. In addition, KPMG was informed by non-voting TRC members that the TRC meeting materials were often</u></p>

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					<p><u>received quite close to the meeting date and did not allow for sufficient time to formulate questions for the meeting.</u></p> <p>Per inquiry of Glen Lucas, KPMG was informed that TRC decisions were documented in the record of decision (ROD), which are circulated to IAF's Adjudication Committee for review and approval of projects.</p> <p>Obtained all the TRC ROD to date from Glen Lucas (General Manager, BCFGA) and through inspection, noted the following:</p> <ul style="list-style-type: none"> <li>— There were 10 RODs since inception of the TFC Program;</li> <li>— The ROD documented the project number, project title, recommendation on the project, amount requested and a rating out of five. Subsequent to June 2019, the rating out of five was no longer documented in the ROD. Refer to above section "BCFGA TRC Evaluation Criteria" for details.</li> <li>— <u>The RODs did not document detail scoring criteria or considerations that the TRC discussed. For example, some projects had an "approved" recommendation with no further details on why it was recommended for approval.</u></li> <li>— <u>Once documented/finalized, the RODs were not circulated to the BCFGA TRC members. In the absence of formal meeting minutes for the TRC meeting, the ROD was a formal documentation of the key decisions and discussions taken place at the TRC meeting.</u></li> </ul>
2.4	IAF Adjudication Committee's	IAF may not effectively	Applicants and projects meet	<b>Adjudication Committee</b>	<b>IAF Adjudication Committee's Role &amp;</b>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Procedures and Results
	<p>decisions over applications are transparent and clearly documented.</p> <p>There is appropriate level of authority and consideration (including conflict of interest consideration) applied when approving applications.</p>	<p>challenge BCFGA's recommendations of projects.</p> <p>Applications may be assessed inconsistently by IAF or assessed without appropriate assessment criteria in place.</p> <p>Applications may be approved without appropriate rationale or sufficient documentation.</p>	<p>eligibility criteria (sources #2 and #5).</p> <p>There is consideration to funding characteristics for selecting recipients (source #5).</p> <p>There is consideration to select recipients using a fair, open and transparent process (source #5).</p> <p>There is specific assessment of the basis for the amount of the transfer payment sought (sources #2 and #5).</p> <p>IAF established a committee to provide final approval of the recommended projects (sources #2 and</p>	<p><b>(IAF)</b></p> <p>Obtain an understanding of:</p> <ul style="list-style-type: none"> <li>(i) the role and responsibilities of the Adjudication Committee;</li> <li>(ii) the criteria or consideration factors (including conflict of interest considerations) applied by the Adjudication Committee when reviewing applications endorsed and recommended by BCFGA; and</li> <li>(iii) how review decisions are retained.</li> </ul> <p>Obtain and inspect relevant Adjudication Committee terms of reference or formation documents (if available).</p> <p>[Note: This may include a walkthrough of the minutes and related documentation associated with the Adjudication Committee meeting held on February 19, 2021]</p>	<p><b>Responsibilities</b></p> <p>Based on interviews with three IAF Adjudication Committee members, KPMG was informed that the Adjudication Committee's role in review of applications was a higher level review with a focus on funding, and the Adjudication Committee relies on the BCFGA TRC for review of the technical aspect of the project and IAF staff for eligibility review. Once a project reaches the Adjudication Committee, members assume it has met the eligibility criteria.</p> <p><u>Inquired Michelle Koski (Executive Director, IAF) and was informed that there were no Terms of Reference (TOR) for the IAF Adjudication Committee.</u></p> <p><b>IAF Adjudication Committee Evaluation Criteria</b></p> <p><i>Project Evaluation Criteria</i></p> <p>Inquired Michelle Koski (Executive Director, IAF) and was informed that <u>there were no evaluation criteria for the IAF Adjudication Committee</u> because IAF assumed applications were reviewed by the TRC. Per Michelle Koski, when reviewing project applications, the IAF Adjudication Committee focuses on the funding aspects and conflict of interest / fiduciary responsibility. Based on interviews with three IAF Adjudication Committee members, KPMG was informed of the same. Specifically, the IAF Adjudication Committee members mentioned that they rely on IAF staff to review the eligibility of projects and the TRC on the technical aspects of the project; the IAF Adjudication Committee members' review is a higher-level review as to whether 'everything ticks the box'. For example, areas of consideration include funding, considering whether</p>

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			#5).		<p>the project will benefit the whole industry, and considering whether there is any conflict of interest.</p> <p>Per interviews with the IAF Adjudication Committee members, KPMG was informed that most of the time the Adjudication Committee approves the recommendations from the BCFGA TRC, but there have been projects the IAF Adjudication Committee provided conditional approval or asked that projects be broken up into different projects.</p> <p><i>Conflict of Interest Consideration</i></p> <p>KPMG was informed by IAF Adjudication Committee members of the following with respect to consideration of conflict of interest:</p> <ul style="list-style-type: none"> <li>— Adjudication committee members review conflict of interest when they review the project.</li> <li>— IAF staff also checks for conflict of interest when they look at the project application.</li> <li>— Some conflict of interest is caught by the Adjudication committee members during project review because they are more familiar with the connections within the industry.</li> <li>— Adjudication committee members are not allowed to apply to the fund, and if they do, they will recuse themselves from the meeting.</li> <li>— Adjudication Committee members did not recall a time that they had to recuse themselves from the meeting with respect to the TFC Program.</li> </ul> <p>Inspected the IAF Adjudication Committee meeting minutes and noted at each committee meeting, there was an agenda item called "Declaration of conflict of interest", where any conflict of interest is to be declared prior to commencement of the meeting.</p>

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					<p>Further noted the following conflict of interest considerations discussed at the Adjudication Committee meetings:</p> <ul style="list-style-type: none"> <li>— Don Low declared a conflict with TFC016 at the April 29, 2020 Adjudication Committee meeting and recused himself (note: while this was not identified by the Adjudication Committee members during our interviews with them, it was recorded in meeting minutes).</li> <li>— Don Low acknowledged there were some new cherry variety projects being reviewed but he did not consider himself to be in conflict as the new varieties were years away from commercialization, in which the Adjudication Committee agreed.</li> </ul> <p><b>IAF Adjudication Committee Documentation and Retention</b></p> <p>Inquired of Michelle Koski (Executive Director, IAF) and was informed that IAF Adjudication Committee meeting materials were provided to committee members at least one week (i.e. 5 business days) in advance of the meeting. Through interviews with IAF Adjudication Committee members, KPMG was informed that generally there was sufficient time to review the meeting materials in advance of the meeting, though there were some applications where the timing was tight and they received it 4 to 5 days before the meeting, which they suspected was due to delays in IAF receiving the information from BCFGA.</p> <p>We were informed by Michelle Koski (Executive Director, IAF) and IAF Adjudication Committee members that IAF Adjudication Committee's considerations and conclusions were documented and retained in meeting minutes, and that, in addition, at</p>

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					<p>every meeting there was a status summary of current projects provided to the committee members.</p> <p>Inspected the IAF Adjudication Committee meeting minutes and noted the meeting agenda included items such as calling the meeting to order, confirmation of agenda, status of available program funding, summary of previous meeting, review of TRC ROD, review of new TFC applications and other business (e.g. per diem allocations and next intake timeline).</p>
2.5	<p>Documentation of the project approval process is retained.</p> <p>The project approval process is transparent.</p> <p>Adequate level of resources is available to manage and administer the grant.</p>	<p>There may be no written agreement to clearly outline the terms of funding with each approved application/project.</p> <p>There may be no clear and/or appropriate stipulations in place to manage the risk or accountability of funding the project.</p> <p>Application status may not be transparent to the applicant.</p> <p>There may be a lack of an audit trail maintained</p>	<p>There is a written agreement of terms of the transfer and what is being funding (source #5).</p> <p>There are clear and appropriate stipulations set to manage risk and ensure suitable accountability (source #5).</p> <p>IAF communicates project results back to the applicant (source #3).</p> <p>IAF manages all</p>	<p><b>Project Contracting &amp; Administration (IAF)</b></p> <p>Obtain an understanding of:</p> <ul style="list-style-type: none"> <li>(i) how IAF informs applicants of the application results;</li> <li>(ii) the process in place (including delegation of authority) over contracting of approved applications;</li> <li>(iii) the written agreements (including terms and conditions) in place for approved applications; and</li> <li>(iv) record retention requirements for approved applications.</li> </ul>	<p>Inquired Michelle Koski (Executive Director, IAF) and Alana Wilson (Senior Program Manager, IAF) and was informed of the following:</p> <ul style="list-style-type: none"> <li>— After an application was reviewed by the BCFGA TRC and the IAF Adjudication Committee, IAF would send a decision letter to the applicant informing them of the results. If the project was approved, included in the decision letter would be a funding acknowledgement requirements document, approved funding amount and request to confirm continued interest.</li> <li>— Once the applicant confirmed continued interest, a contribution agreement would be provided to the applicant for signing. With the exception of specific project information, the contribution agreement for all projects followed a standard format (i.e. terms and conditions are standardized).</li> <li>— After the applicant returns the signed contribution agreement, the delegated authorities at IAF (i.e. Michelle Koski and Chris Reed) would sign the contribution agreement on behalf of IAF.</li> <li>— The signed contribution agreement and reporting templates would be sent back to the applicant.</li> </ul>

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		over applications reviewed.	aspects of contracting with the final recipient (source #3).		<ul style="list-style-type: none"> <li>— IAF would update POD to reflect key project dates such as decision date, conditions fulfilled date, agreement mailed date, templates completed date, agreement returned date, agreement fully executed date, and start date of project. IAF also used POD to document/retain project disbursements, records of decision, reports and any communications.</li> <li>— For approved projects, applicants would be required under the contribution agreement to maintain accounts and records for a defined period or as directed by IAF.</li> </ul>
2.6	<p>Documentation of the project funding and administration process is retained.</p> <p>The project funding and administration process is transparent.</p> <p>Adequate level of resources is available to manage and administer the grant.</p>	<p>There may be a lack of or insufficient monitoring of the project (including monitoring of stipulations) once funding is provided.</p> <p>There may be no defined measure of success to track the performance of projects.</p>	<p>There is ongoing reporting or monitoring of arrangements, depending on risk, scale, and nature, to enable the Province to assess success per the Ministry's strategic plans (source #5).</p> <p>There is ongoing monitoring against stipulations to determine</p>	<p><b>Project Lifecycle &amp; Reporting (IAF &amp; BCFGA)</b></p> <p><u>IAF</u></p> <p>Obtain an understanding of:</p> <ul style="list-style-type: none"> <li>(i) how initial and ongoing funding is provided to the successful applicant;</li> <li>(ii) how IAF monitors ongoing projects (including monitoring against stipulations);</li> <li>(iii) how IAF measures the success of these projects;</li> <li>(iv) how project financials are accounted for/recorded; and</li> <li>(v) the nature and frequency of reports prepared for the</li> </ul>	<p><b>Project Lifecycle &amp; Reporting (IAF)</b></p> <p>Inquired Michelle Koski (Executive Director, IAF) and Alana Wilson (Senior Program Manager, IAF) and was informed of the following:</p> <ul style="list-style-type: none"> <li>— Initial funding of projects would be paid to the proponent by IAF when the contribution agreement was fully executed. Subsequent/scheduled disbursements would be paid to the proponent after satisfactory review of the proponent's progress report(s). <u>KPMG was informed that proponents are not required to submit receipts for disbursements when they submit their project deliverable/report, but proponents are required to retain record of receipts in the event that IAF undertakes an audit. Since inception of the TFC Program, IAF has not performed an audit of the program proponents.</u></li> <li>— Prior to disbursing any payments subsequent to the initial payment, IAF completes a payment requisition form along with any supporting</li> </ul>



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			<p>whether performance has been achieved and whether or not recipient is able to retain the transfer (source #5).</p> <p>There is reporting of the achievements against the purpose of the transfer payment (source #5).</p> <p>IAF manages all aspects of project, claims, payments and monitoring, including fund accounting and financial and cash flow tracking to the Province and BCFGA (source #3).</p> <p>IAF prepares a summary report of all project</p>	<p>Province and BCFGA for project tracking purposes.</p> <p><u>BCFGA</u></p> <p>Obtain an understanding of how BCFGA communicates results of the TFC Program to the Industry and Government, including understanding the data points used and frequency of communication.</p>	<p>documents, such as an Interim Financial Progress Review report or a checklist which documents the Program Manager's comments/decision on release of payment. The payment requisition form along with any supporting documents are reviewed by a second team member prior to processing. Through inspection of IAF's payment disbursement supporting documents, noted there was segregation of duties between program manager's recommendation relating to the payment, review of the payment requisition form, and authorization of the payment.</p> <ul style="list-style-type: none"> <li>— IAF monitors ongoing projects and measures success of each project against the activities/expenses outlined in each project's "Project Report" and "Project Financial Report" (collectively referred to as the "Project Reporting Template" or "Progress Report").</li> <li>— Project financials disbursements are recorded in the respective project's "Project Financial Report" (an Excel document), in IAF's POD system and in TFCF's general ledger.</li> <li>— Other than regular status updates, <u>IAF does not have any formal reporting to the Ministry or BCFGA. Per Michelle, although the Grant Letter from the Province required IAF to provide a detail report by March 31, 2019, this was not completed as there were no results or accomplishments to be reported.</u></li> </ul> <p>In addition, through inspection of an email correspondence from a whistleblower to IAF, we noted concerns over conflict of interest were raised with respect to TFC0012. The whistleblower indicated that TFC0012 sales and marketing project was</p>

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			outputs and outcomes (source #3).		<p>conducted by a company that the CEO of the proponent had a financial interest in as an owner/partner. The whistleblower, after consulting with their lawyer, decided to not formally file an ethics violation report on the basis that he was not certain of unethical behaviour and as the project was still ongoing, there was a possibility to complete the work to a level described in the contract. <u>No further action was taken by IAF as a formal ethics violation report was not filed by the whistleblower.</u></p> <p><b>Project Lifecycle &amp; Reporting (BCFGA)</b></p> <p>Inquired Glen Lucas (General Manager, BCFGa) and was informed of the following:</p> <ul style="list-style-type: none"> <li>— There is no formal or direct reporting from BCFGa to the Province on a regular basis. There may be ad-hoc reporting if needed/required.</li> <li>— IAF provides BCFGa with final report from proponents and BCFGa may use that as a basis to create content for articles in industry publications.</li> </ul>
<p><b>TFCF Program Design &amp; Delivery Effectiveness: Review of specific projects funded/declined and otherwise considered by the TFCF to assess effectiveness and thoroughness of:</b></p> <ul style="list-style-type: none"> <li>○ Is there a clear and timely process for applying for funding</li> <li>○ Eligibility criteria and impact of each project to the overall competitiveness of the Tree fruit Industry</li> <li>○ Financial reporting and transparency of project budgets – Are the proponents adhering to the required reporting structure in a timely, efficient way</li> <li>○ Accuracy, timeliness, and efficacy of deliverables to stated project objectives</li> </ul> <p>Alignment of the project deliverables with the actual work that was undertaken</p>					
3.1	Application process is clear and timely.	Applicant and project eligibility may not be	Applicants and projects meet eligibility criteria	<b>Completed and Underway TFC Projects</b>	Obtained the “Status of Approved Projects as of February 10, 2021” from Michelle Koski (Executive Director, IAF) and by inspection, compared it to the

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Procedures and Results
	<p>Eligibility criteria and impact of each project is assessed.</p> <p>Proponent's actual financial results for the project are in line with the project budget.</p> <p>Project deliverables provided are accurate and timely, and allows for effective project monitoring/tracking.</p> <p>Project deliverables are aligned with actual work undertaken.</p>	<p>consistently assessed.</p> <p>There may be a lack of an audit trail maintained.</p> <p>There may be no written agreement to clearly outline the terms of funding.</p> <p>There may be no clear and/or appropriate stipulations in place to manage the risk or accountability of funding the project.</p> <p>There may be a lack of or insufficient monitoring of the project (including monitoring of stipulations) once funding is provided.</p> <p>There may be no defined measure of success to track the</p>	<p>(sources #2 and #5).</p> <p>There is consideration to funding characteristics for selecting recipients (source #5).</p> <p>There is consideration to select recipients using a fair, open and transparent process (source #5).</p> <p>There is specific assessment of the basis for the amount of the transfer payment sought (source #5).</p> <p>There is a written agreement of terms of the transfer and what is being funding (source #5).</p>	<p>For a selection of completed/underway TFC projects, determine the following through inspection of relevant documents:</p> <ul style="list-style-type: none"> <li>— An application form was completed;</li> <li>— The applicant/project met the eligibility criteria;</li> <li>— Any conflict of interest issue was identified, discussed and resolved;</li> <li>— A confirmation receipt was sent to the applicant from IAF;</li> <li>— Timely processing of the application from receipt of application to confirmation receipt to application results being communicated to the applicant;</li> <li>— BCFGA Technical Review Committee appropriately and consistently applied criteria and consideration factors prior to endorsing and recommending the application to IAF;</li> <li>— IAF Adjudication Committee appropriately and consistently applied</li> </ul>	<p>projects recommended by the BCFGA TRC (per the RODs) and approved by the IAF Adjudication Committee (per the committee meeting minutes). By inspection, noted the following:</p> <ul style="list-style-type: none"> <li>— BCFGA TRC reviewed 23 projects, of which 18 projects were recommended to IAF for approval for funding, two projects were declined, and three projects were deferred or on hold at the BCFGA TRC level due to additional information required.</li> <li>— IAF Adjudication committee reviewed 19 projects, of which 18 projects were approved for funding and one project was declined.</li> <li>— <u>4 projects were reviewed at the BCFGA TRC level but not forwarded to IAF Adjudication Committee for review. Of these, three projects required additional information and one project was declined at the BCFGA TRC level on the basis it was related to a previously declined project.</u></li> <li>— 2 projects did not go through the normal review cycle with the BCFGA TRC and the IAF Adjudication Committee; one project was withdrawn by the applicant, and one project was a consulting project requested by the Ministry relating to "BC Tree Fruits Industry Stabilization and Renewal Strategy" which did not go through the normal review cycle for funding approval.</li> </ul> <p>Out of the 18 projects submitted by applicants and approved for funding, 13 were approved prior to the suspension of the TFC program. For these 13 approved projects, inspected the underlying supporting documents to determine whether:</p> <ul style="list-style-type: none"> <li>— An application form was completed;</li> <li>— The applicant/project met the eligibility criteria;</li> </ul>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Procedures and Results
		<p>performance of projects.</p> <p>Unauthorized or inappropriate expenses may be funded under the TFC program.</p>	<p>There are clear and appropriate stipulations set to manage risk and ensure suitable accountability (source #5).</p> <p>There is ongoing reporting or monitoring of arrangements, depending on risk, scale, and nature, to enable the Province to assess success per the Ministry's strategic plans (source #5).</p> <p>There is ongoing monitoring against stipulations to determine whether performance has been achieved and whether or not</p>	<p>criteria and consideration factors prior to approving the application;</p> <ul style="list-style-type: none"> <li>— IAF informed the applicant of the application results;</li> <li>— A signed written agreement is in place between IAF and the applicant; and</li> <li>— Project status and deliverables were monitored (against any stipulations and success measures) on an ongoing basis.</li> </ul> <p>Inspect relevant supporting documents to understand the proponent's reporting requirements and deliverables to determine if there is sufficient information to allow IAF to perform ongoing monitoring of the project.</p> <p>For a selection of direct participant payments made under the project, trace to underlying supporting documents (e.g. approved invoices) to determine if the payment is authorized, appropriate and in line with</p>	<ul style="list-style-type: none"> <li>— Any conflict of interest issue was identified, discussed and resolved;</li> <li>— A confirmation receipt was sent to the applicant by IAF;</li> <li>— Timely processing of the application from receipt of application to confirmation receipt to application results being communicated to the applicant;</li> <li>— IAF informed the applicant of the application results;</li> <li>— A signed written agreement is in place between IAF and the applicant; and</li> <li>— Project status and deliverables were monitored (against any stipulations and success measures) on an ongoing basis.</li> </ul> <p>In addition, for 3 out of the 13 projects approved prior to the suspension of the TFC program, inspected the underlying supporting documents to determine whether:</p> <ul style="list-style-type: none"> <li>— BCFG Technical Review Committee appropriately and consistently applied criteria and consideration factors prior to endorsing and recommending the application to IAF; and</li> <li>— IAF Adjudication Committee appropriately and consistently applied criteria and consideration factors prior to approving the application.</li> </ul> <p>Based on the work performed, noted the following:</p> <ul style="list-style-type: none"> <li>— <u>Average turnaround time between when the application was received by IAF and when the application result was communicated to the applicant was 38.3 days;</u></li> <li>— <u>For 8 out of 13 selected projects, application</u></li> </ul>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Procedures and Results
			<p>recipient is able to retain the transfer (source #5).</p> <p>There is reporting of the achievements against the purpose of the transfer payment (source #5).</p> <p>Funds are recorded and reported accurately, completely and timely (source #4 – section 21.3.3(1))</p>	<p>the project's budget.</p> <p>Interview proponent of the selected project to understand their experience with the TFC Program.</p>	<p>forms were not signed by the applicants;</p> <ul style="list-style-type: none"> <li>For 3 out of 13 selected projects, applications forms did not include the business/association number, which was required on the form;</li> <li>For 3 out of 13 selected projects, the applicant applied prior to August 13, 2019 and was either BCFGA or a subsidiary of BCFGA, which was not aligned with article 7 of the Joint Delivery Agreement dated November 13, 2018. Subsequently, we noted in Schedule B of the Contribution Agreement Amendment #1 dated August 13, 2019, that BCFGA was paid Industry Support Services on the condition that BCFGA or any of its subsidiaries do not directly apply for funding under the TFC Program;</li> <li>For 7 out of 13 selected projects, confirmation receipts were not retained by IAF. KPMG was informed by Michelle Koski (Executive Director, IAF) that these projects were handled by former employees and they did not file the confirmation receipts to the project folder. Hence, copies of the confirmation receipts were not retrievable; and</li> <li>For 3 out of 3 selected projects, no detail scoring criteria or considerations were documented in the ROD to support BCFGA TRC's recommendation for approval.</li> </ul> <p>Refer to workplan step 1.3 for results on testing direct participant payments.</p> <p>Refer to workplan step 2.1 for results on interviews with selected individuals.</p>
3.2	Application process is clear and timely.	Applicant and project eligibility	Applicants and projects meet	<p><b>Declined TFC Projects</b></p> <p>For a selection of declined</p>	For a selection of two declined projects, inspected the underlying supporting documents and noted the

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Procedures and Results
	Eligibility criteria and impact of each project is assessed.	<p>may not be consistently assessed.</p> <p>There may be a lack of an audit trail maintained.</p>	<p>eligibility criteria (sources #2 and #5).</p> <p>There is consideration to funding characteristics for selecting recipients (source #5).</p> <p>There is consideration to select recipients using a fair, open and transparent process (source #5).</p> <p>There is specific assessment of the basis for the amount of the transfer payment sought (source #5).</p>	<p>TFC projects, determine the following through inspection of relevant documents:</p> <ul style="list-style-type: none"> <li>— An application form was completed;</li> <li>— The applicant/project met or did not meet the eligibility criteria;</li> <li>— Any conflict of interest issues was identified, disclosed, discussed and resolved/addressed;</li> <li>— A confirmation receipt was sent to the applicant from IAF;</li> <li>— Timely processing of the application from receipt of application to confirmation receipt to application results being communicated to the applicant;</li> <li>— BCFGA Technical Review Committee appropriately and consistently applied criteria and consideration factors prior to endorsing and recommending the application to IAF or provided rationale for declining the application;</li> </ul>	<p>following:</p> <ul style="list-style-type: none"> <li>— <u>Average turnaround time between when the application was received by IAF and when the application result was communicated to the applicant was 100.5 days;</u></li> <li>— <u>For 1 out of 2 selected projects, BCFGA TRC declined the project on the basis it was related to a previous declined project and did not put the project forward for IAF Adjudication Committee's review. This was not in line with BCFGA TRC's TOR which states that the purpose of the TRC is to recommend to the IAF the approval or decline of projects, with rationale; and</u></li> <li>— <u>For 1 out of 2 selected declined projects, the confirmation receipt was not retained by IAF. KPMG was informed by Michelle Koski (Executive Director, IAF) that this project was handled by former employees and they did not file the confirmation receipts to the project folder. Hence, copies of the confirmation receipt was not retrievable.</u></li> </ul> <p>Refer to workplan step 2.1 for results on interviews with selected individuals.</p>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Procedures and Results
				<ul style="list-style-type: none"> <li>— IAF Adjudication Committee appropriately and consistently applied criteria and consideration factors prior to declining the application; and</li> <li>— IAF informed the applicant of the application results.</li> </ul> <p>Interview proponent of the selected project to understand their experience with the TFC Program.</p>	
3.3	Proponent's actual financial results for the project are in line with the project budget.	Project may not meet approved funding objectives.	Funds are recorded and reported accurately, completely and timely (source #4 – section 21.3.3(1))	<p><b><u>Approved TFC Projects Analysis</u></b></p> <p>In summary for all approved TFC projects, perform an analysis of the projects' categorization and actual funding/allocation against approved project budget to determine if the projects collectively are aligned with the original approved funding allocation objectives.</p>	<p>Obtained and inspected the "Status of Approved Projects as of February 10, 2021" from Michelle Koski (Executive Director, IAF). For all the approved projects, obtained and inspected the contribution agreements and the general ledger from Michelle Koski (Executive Director, IAF) to determine whether the actual project payments were in line with the approved project budget, and noted the following:</p> <ul style="list-style-type: none"> <li>— As of February 10, 2021, total funding approved was \$2.1M for 14 projects. Of which, two projects were decommitted due to dependency on completion of another project or unsuccessful funding for the project from a third party. Hence, <u>total funding committed was \$1.7M. Out of the funding committed, \$692K was paid/disbursed to project participants, representing 41% utilization of the committed funding.</u></li> <li>— Out of the 12 projects committed for funding, 11 were projects submitted by applicants ("applicant</li> </ul>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Procedures and Results
					<p>project”) and one project was a consulting project requested by the Ministry relating to “BC Tree Fruits Industry Stabilization and Renewal Strategy”.</p> <p>— <u>For the 11 applicant projects, 9 projects’ actual expenses (i.e. \$692K) were under the approved budget (i.e. \$1.57M) by approximately \$880K. This was due to project deliverables not yet due (\$536K), late submission of reporting deliverables (\$105K) and pending additional information from applicant (\$232K). One out of the 11 applicant projects was completed with actual expenses being the same as the approved budget. 1 out of the 11 applicant projects was approved with a start date of April 1, 2021 but the contribution agreement was not in place and was awaiting applicant’s confirmation on other funding sources.</u></p> <p>Through inspection of the individual project application forms, noted the projects approved for funding related to the following funding priorities listed in the application form:</p> <ul style="list-style-type: none"> <li>— Test shipment of new varieties to key export markets (3 projects)</li> <li>— Understanding key markets in Western Canada (2 projects)</li> <li>— Enter Canadian partnership for new variety development (2 projects)</li> <li>— Expand BC growers horticultural knowledge (7 projects)</li> <li>— Share best practices of top performing BC growers (2 projects)</li> <li>— Support packer infrastructure improvements (2 projects)</li> </ul>



Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Procedures and Results
					<p>— IPM or invasive pest research (2 projects)</p> <p><u>Further noted that although the application form and Globalwise Study included the funding priority “Strengthen social media presence of BC packers and marketers”, no projects were approved for funding related to this funding priority. In addition, through inspection of the application form and Globalwise Study, noted the funding priority “Share best practices of top performing BC growers” was not explicitly listed as a standalone funding initiative in the Globalwise Study, and the funding priority “IPM or invasive pest research” was not included in the Globalwise Study as a funding priority.</u></p>

## Appendix 2 – List of Interviewees

As part of the TFC Program Assessment, the following individuals were selected by AFF for interviews by KPMG, and were interviewed by KPMG during the assessment except where otherwise noted below.

Interview Count	Name(s)	Industry Role	Interview Date
1	Arif Lalani	Assistant Deputy Minister Business Development, Agriculture, Food, and Fisheries	February 5, 2021
2	Georgina Beyers	Director Industry Development, Ministry of Agriculture, Food and Fisheries	February 2, 2021
	Adrian Arts	Tree Fruit and Grape Industry Specialist Ministry of Agriculture, Food and Fisheries	
3	Michelle Koski	Executive Director, Investment Agriculture Foundation	March 3 & 4, 2021
	Alana Wilson	Project Manager, Investment Agriculture Foundation	
4	Glen Lucas	General Manager, BCFGA and Co-Administer of the TFCF	March 3 & 10, 2021
5	Peter Simonsen	Former Vice-president of BCFGA and Member of TFCF Technical Review Committee	See <b>Note 1</b> below
6	Sukhpaul Bal	President of BC Cherry Association and Cherry Grower	March 29, 2021
7	Melissa Tesche	Manager, Sterile Insect Release Program	March 8, 2021
8	Svan Lembke	Professor, Okanagan College School of Business and Member of TFCF Technical Review Committee	March 8, 2021
9	Madeleine van Roehoudt	Apple producer and Member of TFCF Technical Review Committee	March 9, 2021
10	Pinder Dhaliwal	President of BCFGA and Chair of TFCF Technical Review Committee	April 7, 2021
11	Don Low	IAF Chair and TFCF Adjudication Committee Member	March 11, 2021
	Jack Dewit	IAF Vice Chair and TFCF Adjudication Committee Member	
	Glenda Gesy	IAF Treasurer and TFCF Adjudication Committee Member	
12	Molly Thurston	Organic Apple Producer	March 19, 2021
13	Jim Campbell	New Tree Fruit Varieties Development Council	March 15, 2021
14	Keith Carlson	Cherry Grower and Former General Manager for Summerland Varieties Corporation	March 19, 2021

**Note 1:** An interview with Peter Simonson was requested but not conducted; instead Peter responded to questions through email on March 10, 2021.