



Ministry of Agriculture, Food and Fisheries

# Tree Fruit Replant Program Fund (TFRP) Assessment Report

3-4-2022

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## 1. Executive Summary

The Ministry of Agriculture, Food and Fisheries (AFF, the Ministry, or the Province) engaged KPMG to conduct a performance assessment of the Tree Fruit Replant Program (TFRP or the Program) for the fiscal years 2014/2015 to 2020/2021. The objectives of the performance assessment were to (i) assess the Program's impact; (ii) assess the financial and operational management of the TFRP administration agreement; (iii) identify the current needs of the tree fruit industry and the potential role for a renewed replant program; and (iv) provide recommendations for financial and program design and delivery improvements.

The Program assessment's scope, evaluation criteria and workplan were developed collaboratively by KPMG and AFF, approved by AFF and executed by KPMG. The Program was evaluated across three key components, which included program impact; program, financial and fiscal responsibility by the program administrator; and future replant requirements.

During the Program assessment, we experienced challenges in obtaining full access to program records. As a result, we were not able to complete some of the planned procedures or follow-up on exceptions noted in the testing, and based on direction from AFF we concluded the work based on information made available to us as of the reporting cut-off date of December 29, 2021. This report reflects our results and findings as of December 29, 2021, including limitations thereof relative to what was originally planned, and recommendations for the Province's consideration.

Based on work performed, we noted the following key findings:

- Interviewees (i.e. program participants, program administrator, AFF and industry participants) generally agreed that the Tree Fruit Replant Program brought some positive outcomes to the industry, but that this effect waned over the years due to the multitude of challenges that the industry is currently facing. Some of these challenges are broader than those that a replant program can address. However, interviewees' perspectives on how to address these industry challenges and further advance the industry varied widely.
- Throughout the Program assessment, a number of limitations were identified and these included limitations of access to program records, inherent data limitations, and limitations to grower's data collected under the Program. As a result, we were not able to perform certain planned procedures or could not perform the planned procedure to the extent that would fully satisfy the assessment objective, made certain assumptions when analyzing the data (which in some cases created limitations in providing meaningful data analysis results), and/or leveraged alternative information to perform analysis/testing.
- Notwithstanding the aforementioned limitations, we noted the following areas for improvement in the Program's administration and governance:
  1. The Program's intended outcome was quantitatively based, with a primary focus on the number of trees replanted with the available funding. This may result in overlooking broader Program themes and relationships, and potential inequities in Program administration or funding decisions.
  2. There was no signed administration agreement between AFF and BCFGA covering the periods from October 1, 2018 to July 14, 2019, and April 1, 2020 to May 31, 2020. For the periods in which an administration agreement between AFF and BCFGA was in place, certain program elements were missing in the administration agreement.
  3. We were informed by BCFGA that the role of the Review Committee was advisory in nature and that they provide recommendations of their decision on the application to BCFGA, who approves the applications/projects. However, this was not fully consistent with the "2021 TFRP Requirements" document, a program document which outlines general program information, types of program funding, program eligibility and program guidelines.
  4. Although we were informed that the Program's Review Committee initially used a scoring sheet to evaluate each application, this scoring system stopped after the first 2-3 years of the Program. In subsequent years of the Program, application evaluation criteria were not well defined.

5. We were informed by BCFGA that Review Committee members were asked to sign a conflict of interest/confidentiality statement; however, we noted this practice was not consistently carried out or documented over the 7-year period of the Program.
6. We noted gaps in the Program's processes that may result in opportunities for an applicant to take advantage of the TFRP funding without adhering to the Program's eligibility requirements, or which were not in line with good practices.
7. For the periods in which an administration agreement was in place between BCFGA and AFF, KPMG noted instances in which the actual practices of the administrator differed from the contractual obligations of the administration agreement.
8. Through inquiry with BCFGA, we were informed that additional effort was expended by BCFGA in administering the Program due to government specific practices, issues and challenges.

As the tree fruit industry is currently facing challenges broader than those that a replant program can address, based on our enquires and analysis we believe that a potential continued TFRP or some other form of replant-renewal can focus on the tree fruit industry needs that relate to communication and individual orchard planning.

In consideration of the industry needs and findings of this Program assessment, we recommend that a potential continued TFRP or some other form of replant-renewal not be considered in a silo, and instead form part of a holistic approach that takes into consideration the industry's needs, the industry's long-term vision, and other government programs that support the industry. Development of the industry's long-term vision is a prerequisite in advancing the industry, and would require input from the key stakeholders within the industry. In addition to the overarching program vision and goals, we believe that the Ministry should re-evaluate/re-consider certain program elements when establishing this potential continued TFRP or some other form of replant-renewal program, including the program's eligibility criteria, compliance monitoring procedures, requirements around a grower's marketing plan, and central storage of program data points for further monitoring and analysis.

When determining the delivery option of this potential continued TFRP or some other form of replant-renewal program, we believe the Ministry should consider the cost of the framework, resources/skills required, technology required, openness and transparency of the administrator and integrity of the administrator. As a replant program involves the administration of public funds, instilling public confidence is of utmost importance. Hence, we recommend in the selection of a program delivery option that the Ministry place more weight on integrity, openness, and transparency of the administrator, as these are cornerstones of proper governance over public funds.

This report reflects our findings as of the dates we conducted our work, including limitations thereof relative to what was originally planned as set out above. This assessment engagement was advisory in nature, comprised of selected agreed assessment procedures, including review of selected documentation and performance of selected interviews, and was conducted in accordance with the scope, terms and conditions set out within our contract for this engagement with the Province, as outlined herein. 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 for distribution to and internal use by the Province, and is not a written communication to any other third parties by KPMG. While this report provides 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. Please see section 4 of this report for further details on limitations associated with this engagement and report.

## **2. Background**

The Tree Fruit Replant Program (TFRP or the Program) has been in place in various iterations since 1991. Since that time, it has provided approximately \$50M to growers. The intent of the current TFRP is to

encourage producers to remove older, low-value varieties in low-density plantings and replant with modern high-value varieties in high-density plantings.

The current TFRP began in 2015 and is delivered through a joint administration agreement between the Province of BC (the Province) and the BC Fruit Growers' Association (BCFGA). By the end of the funding period, TFRP was expected to have provided \$10.6M in funding to the tree fruit sector for the seven-year period from FY2014/2015 to FY2020/2021.

Key stakeholders in relation to the TFRP include, but are not limited to:

1. BC Fruit Growers Association (BCFGA)
2. BC Cherry Association (BCCA)
3. Summerland Varieties Corporation (SVC)
4. Apple and soft fruit packinghouses:
  - a. BC Tree Fruits (BCTF)
  - b. Jealous Fruits
  - c. Consolidated Fruit Packers (CFP)
  - d. Sandhurs Fruit Packers (SFP)
  - e. Northern Cherries
  - f. Sun City
  - g. Sunny Valley Produce
  - h. Fairview Orchards
  - i. Cawston Cold Storage (CCS) - organic
5. Agriculture and Agri-Food Canada (AAFC) staff at Summerland Research and Development Centre (SuRDC)
6. AAFC Tree Fruit Sector Specialist
7. Tree Fruit Nurseries: Bylands Nursery, C&O Nursery, VanWell Nursery
8. BC Ministry of Agriculture, Food and Fisheries (AFF) - Industry Development Unit

There have been multiple administration agreements for the Program over the past seven years. For FY2014/2015, the TFRP was administered by both BC Investment Agriculture Foundation (IAF) and BCFGa, where IAF was responsible for administering and providing funds for distribution, and BCFGa was responsible for carrying out the Program in accordance to the workplan and budget. For FY2015/2016 to FY2020/2021, the TFRP was fully administered and executed by BCFGa under a joint administration agreement between the Province and BCFGa.

The Tree Fruit Competitiveness Fund (TFCF) complements the TFRP. The \$5.0M TFCF seeks to enhance the competitiveness of the industry through infrastructure, innovation, marketing, and research. It seeks new market opportunities, novel horticultural techniques, etc. Previous TFRP funding was similarly complemented by additional funding for industry advancement. The TFCF underwent a separate program assessment, which was completed in April 2021.

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 TFRP for the fiscal years 2014/2015 to 2020/2021. The objectives of the performance assessment were to:

- (i) assess the Program's impact (i.e. assessing effectiveness of programming to meet the Program's objectives);

- (ii) assess the financial and operational management of the TFRP administration agreement (i.e. considering strengths and weaknesses in financial and program delivery processes, and adherence to the program policies);
- (iii) identify the current needs of the tree fruit industry and the potential role for a renewed replant program; and
- (iv) to provide recommendations for financial and program design and delivery improvements.
- (v)

### **3. Scope and Approach**

#### ***3.1 Overview of Scope and Approach***

The TFRP Program Assessment comprised of selected agreed assessment procedures (outlined in Appendix 1 – Detailed Assessment Work Plan, Procedures, and Results), including review of selected documentation and performance of selected interviews. The agreed upon scope and evaluation criteria were developed collaboratively by KPMG and AFF, approved by AFF, and executed by KPMG.

Important limitations associated with this assessment are set out in section 4 - Limitations (including but not limited to limitations on information received that impacted the performance of the assessment). The results of the procedures performed by KPMG are also set out in this report in section 5 - Summary of Assessment Findings, with underlying details in Appendix 1 – Detailed Assessment Work Plan, Procedures, and Results. Our resulting overall recommendations are set out in section 6 - Overall Recommendations for consideration by the Province.

#### ***3.2 Summary of Assessment Components and Evaluation Criteria***

The Program was evaluated across three key components, which included program impact; program, financial and fiscal responsibility by the program administrator; and future replant requirements.

The “Program impact” component focused on assessing the effectiveness of the programming to meet the Program’s objectives. The objective was to determine the Province’s return on investment from the Program, relative to the Program’s intended outcomes. The primary evaluation criteria included:

- (i) assessing the extent of the replant activities resulting from the program;
- (ii) assessing whether the program attracted new entrants or next generation growers to help renew the grower community;
- (iii) evaluating the direct and indirect economic impacts that replant funding has had on the apple, pear and soft fruit industries in terms of improvements in sales, market demands/access and profitability; and
- (iv) assessing the impact the program has had on grower culture and attitude concerning the future of B.C.’s tree fruit industry.

The “Program, financial and fiscal responsibility by the program administrator” component focused on financial and operational management of the TFRP administration agreement, and considered strengths and weaknesses in the financial and program delivery processes, and adherence to the program policies. The primary evaluation criteria included assessing whether the program administrator:

- (i) has appropriate documentation, systems, and internal controls in place to administer government programs efficiently and effectively;
- (ii) possesses and utilizes the resources (personnel, technology, etc.) necessary to effectively manage and administer the program;
- (iii) has demonstrated transparency in the administration and implementation of the program;

- (iv) maintains financial records in accordance with standard practice that are available for inspection when requested;
- (v) provides effective and objective marketing and outreach concerning the program to the entire tree fruit industry;
- (vi) demonstrates ability to meet all contractual obligations as outlined in Administration Contract(s);
- (vii) makes objective, transparent program funding decisions consistent with program criteria;
- (viii) appropriately utilizes program administration fees;
- (ix) adheres to the CAP communications protocols, and requests approval of all outward-facing media releases and grower announcements;
- (x) can conclusively demonstrate the absence of any perceived, potential, or actual conflict of interest in administering the program; and
- (xi) maintains the policy and procedural requirements set out in the “2021 Tree Fruit Replant Requirements” and “2021 Replant Policies” documents. This included inspecting a selection of approved/completed replant applications over the last seven-years to assess whether:
  - a. Trees have remained in ground for the required five-year period
  - b. Project changes were considered and approved/declined as per Policy
  - c. Determining whether AAFC Intellectual Property Rights have been strictly adhered to, including if:
    - i. Royalties were paid on all protected varieties prior to payment recommendation to the Ministry;
    - ii. Funding was only provided to applicants who purchased plants from an authorized nursery; and
    - iii. Grower agreements were signed for protected varieties prior to payment recommendation to the Ministry.

The “future replant requirements” component focused on the current needs of the tree fruit industry and the potential role of a renewed replant program. The objective was to help provide recommendations around the program goals, criteria and administration framework (including program delivery options) for a potential new TFRP or some other form of replant-renewal program. The primary evaluation criteria included:

- (i) identifying the current needs of the tree fruit industry and the potential role for a renewed replant program to address these needs, through interviews with key stakeholders and review of government and industry authored analyses and reviews of the TFRP program; and
- (ii) identifying the risks or challenges that could impact the success of a new TFRP or some other form of replant-renewal program success (e.g.: availability of suitable land, suitable cultivars, fruit quality standards, packing-processing capacity for tree fruits, and current/ future market demand).

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

- Signed General Service Agreement (GSA) #GS21AGR065 between BCFGA and the Government of British Columbia (dated June 1, 2020) for the period from June 1, 2020 to March 31, 2021;
- Signed GSA #GS20AGR064 between BCFGA and the Government of British Columbia (dated July 10, 2019) for the period from June 15, 2019 to March 31, 2020;

- Signed GSA #GS15AGR-121 between BCFGA and the Government of British Columbia (dated March 12, 2015) for the period from March 16, 2014 to September 30, 2017;
- Signed Government Transfer – Shared Cost Arrangement (SCA) Agreement #TAGR16002 between BC IAF and the Government of British Columbia (dated August 20, 2015) for the period from August 24, 2015 to December 31, 2015;
- Signed Funding Agreement between BC IAF and BCFGA (dated October 2, 2012) for the period from January 1, 2013 to December 31, 2014;
- BC Government Core Policy and Procedures Manual (CPPM), Policy Chapter 21: Government Transfers; and
- Governance and Management Guidelines for Government Transfers (GMGGT), from the Office of the Comptroller General (dated January 24, 2013).

### **3.3 Date References**

Within this report, we referenced the fiscal years from the perspective of the Ministry, i.e. from April 1 to March 31. However, during the assessment, we noted that the dates of the program records did not always align with the Ministry's fiscal year. For example, some program documents prepared by the administrator would refer to the grower's replant year, i.e. the year the replant took place. Also, some documents prepared by AFF refer to the fiscal year in short form, e.g. application numbering for FY2021/2022 were referenced to 2022. Considering the nuances in dating conventions, where relevant, we specified within this report whether we were referring to the government's fiscal year, the grower's replant year, or the calendar year.

## **4. Limitations**

### **4.1 Modifications to Assessment Completion Date, Limitations of Information Received, and Reporting Cut-off Date**

This program assessment commenced on July 26, 2021, with an original deadline to complete the assessment by November 1, 2021. The assessment completion date was subsequently modified to reflect delays in receiving documents from both AFF and BCFGA. Specifically, we experienced the following delays:

- Time delays in receiving program records requested of BCFGA for purposes of completing the planned procedures in the workplan. Contributions to these delays included challenges from the General Manager of BCFGA around KPMG's independence and document requests, including disagreeing with KPMG's sampling methodology and alternatively suggesting what they considered would be appropriate samples. In some instances, KPMG's requests for access to program records were declined by BCFGA and timely responses were not always provided by BCFGA.
- Time delays in receiving program governance documents (including administration agreements) requested of AFF for workplan development purposes. In addition, many documents that were requested from the BCFGA were provided by AFF to help ensure the assessment could proceed. At the time of the assessment, the 2021 floods in the Province caused the evacuation of the AFF Abbotsford office, which significantly impacted AFF's staff ability and capacity to provide the requested documents.

Throughout the assessment, we experienced challenges in obtaining full access to program records during the assessment, and on December 14, 2021 we were instructed by AFF to complete our program assessment fieldwork based on information received to date. Subsequently, we received various additional documents from BCFGA on December 21 and 29, 2021. While we were able to apply our procedures to these documents, no further documents were requested or follow-up was conducted after December 14, 2021. Accordingly, December 29, 2021 is considered our "fieldwork completion / reporting cut-off date". As a result, we were not able to complete some of the planned procedures or follow-up on



exceptions noted in our testing, and we concluded our work based on information made available to us as of the reporting cut-off date of December 29, 2021.

Due to the aforementioned limitations of information received, for sample testing related to certain planned procedures of this workplan, KPMG was either not provided any of the requested samples or was not provided all of the requested samples. As a result, KPMG was not able to undertake a full 7 year review of the Program. As we concluded our work based on information made available to us as of the reporting cut-off date of December 29, 2021, for certain planned procedures we were not able to conclude due to limitations of information received. We have detailed these limitations in section 5 - Summary of Assessment Findings and in our detailed workplan in Appendix 1 – Detailed Assessment Work Plan, Procedures, and Results.

#### ***4.2 Nature and Limitations of the Engagement, and Limitations on Distribution and Use of this Report and of Liability of KPMG***

This report reflects our findings as of the dates we conducted our work, including limitations thereof relative to what was originally planned as set out above. We disclaim any intention or obligation to update or revise the findings whether as a result of new information, future events or otherwise. However, 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.

This assessment engagement was advisory in nature, comprised of selected agreed assessment procedures, including review of selected documentation and performance of selected interviews, and was conducted in accordance with the scope, terms and conditions set out within our contract for this engagement with the Province, as outlined herein. 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 for distribution to and internal use by the Province, and is not a written communication to any other third parties by KPMG.

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 publication or reproduction of this report, or any use of this report by any third party. 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.

## **5. Summary of Assessment Findings**

Overall:

- Interviewees (i.e. program participants, program administrator, AFF and industry participants) generally agreed that the Tree Fruit Replant Program brought some positive outcomes to the industry, but that this effect waned over the years due to the multitude of challenges that the industry is currently facing. Some of these challenges are broader than those that a replant program can address. However, interviewees' perspectives on how to address these industry challenges and further advance the industry varied widely.

- While our assessment procedures were constrained by limitations to access program records, inherent data limitations and limitations to grower's data collected under the program, we noted some areas for improvement in the program's administration and governance.

Our assessment findings are summarized below; for further details, refer to Appendix 1 – Detailed Assessment Work Plan, Procedures, and Results:

## **1. Limitations of Access to Program Records**

Throughout the program assessment we encountered limitations to accessing Program records/information from both AFF and BCFGA.

In some cases where KPMG requested Program documents from BCFGA, KPMG either was referred to AFF for the documents, experienced time delays in receiving the requested information, or the information request was declined. Where KPMG was referred to AFF for certain documents, this information was not always retrievable by AFF due to staff turnover, file organization and/or the medium in which the document was stored, and timing of the request coinciding with the federal funding cycles. In addition, at the time of the assessment, the 2021 floods in the Province caused the evacuation of the AFF Abbotsford office, which significantly impacted AFF's staff ability and capacity to provide the requested documents.

In addition, BCFGA terminated the administrative coordinator position (i.e. the individual who completed data entry and performed day-to-day file management tasks) when the program administration agreement was not extended beyond March 31, 2021. Due to non-disclosure clauses in this individual's agreement with BCFGA, the former BCFGA administrative coordinator was not available to us for interview purposes. Although AFF and KPMG requested BCFGA for access to the former administrative coordinator, such requests were denied. Consequently, Program records/information sourced from BCFGA were sourced solely from one BCFGA representative during the course of the program assessment.

As a result of limited access to Program records/information, KPMG was either not able to perform certain planned procedures or could not perform the planned procedure to the extent that would fully satisfy the assessment objective.

Specifically, the following were noted:

- As of our fieldwork completion/reporting cut-off date of December 29, 2021, BCFGA did not provide KPMG the TFRP application listing for FY2016/2017. KPMG alternatively obtained a TFRP application listing from AFF for testing purposes, but noted that AFF only had records of the TFRP applications for 6 years from FY2015/2016 to FY2020/2021. In addition, when comparing the TFRP application listings provided by BCFGA and AFF, some significant deviations (i.e.  $\geq 5\%$ ) were noted in the data set.
- Although we were informed by BCFGA that TFRP documents were retained for a period of at least 10 years in hardcopy and/or electronically, some of the documents we requested from BCFGA were either not provided to us for inspection by fieldwork completion date or were declined to be provided to us for inspection. Information that was not provided to us for inspection by fieldwork completion date included (but was not limited to) the following:
  - A list of approved/completed replant applications for FY2016/2017;
  - Program analysis for budgeting purposes;
  - Invoices related to the Program administrator fee;
  - Breakdown of the cost of marketing and outreach activities related to TFRP for the 7-year period;
  - Selected administrator annual/periodic reports;

- Email communications with the Ministry to evidence report/invoice submissions (other than that dated September 29, 2015);
- Records of decision for replant years from 2015 to 2020;
- Scoring sheets (where applicable) for review committee meetings taking place during the periods FY2014/2015, FY2016/2017, and FY2018/2019 to FY2020/2021; and
- Signed conflict of interest/confidentiality statements for review committee meetings taking place in FY2014/2015, FY2017/2018, FY2018/2019, FY2019/2020 and FY2020/2021.

Information that BCFGA declined to provide us for purposes of the program assessment included (but was not limited to) the following:

- Publication dates associated with the list of marketing activities for purposes of sample selection. We were informed by BCFGA that the list of marketing activities provided were in their view complete, and they suggested that KPMG select samples from the list of marketing activities provided. However, the list of marketing activities did not have sufficient unique attributes to differentiate one sample from another, which allowed the possibility of manipulation of results of procedures should a sample be selected for inspection from this listing.
  - Breakdown of how the program administration fee was spent. We were informed by BCFGA that this information is internal to BCFGA and not part of the TFRP administration agreement for the purposes of this performance assessment.
- Information that was provided by BCFGA for purposes of program assessment were frequently incomplete, had inconsistencies or contradicted one another. Regular follow-ups were required with BCFGA to clarify the discrepancies and/or obtain additional documentation. This resulted in additional time spent on checking the quality of the data provided by BCFGA and inspecting the relevance of documentation provided.

## **2. Inherent Data Limitations**

In performing the data analyses for the program assessment, KPMG used Program and industry data that was collected and provided by the AFF. As this data was collected by the AFF for various purposes over the years, there were instances where the data was not consistently collected and/or documented. As a result, certain assumptions were made when the data was analyzed and, in some cases, it created limitations in providing meaningful data analysis results.

Specifically, the following were noted:

- AFF provided a listing of the TFRP applications for 6 years from FY2015/2016 to FY2020/2021. KPMG was informed that TFRP application details were not collected by AFF for FY2014/2015 as IAF was administering the Program at the time. For the data that was collected from FY2015/2016 to FY2020/2021, the data was not collected or documented consistently. For example:
  - Program data relating to the number of trees/acres approved and inspected was not collected for FY2015/2016, whereas it was collected for FY2016/2017 to FY2020/2021. Consequently, KPMG's analysis of the replant activities was limited to 5 years of the Program from FY2016/2017 to FY2020/2021.
  - The payment statuses were not consistently documented. KPMG assumed that applications with the statuses "Approved-Pd", "Payment Processed", "Payment Requested", "Request Payment", "Sent to CSNR" were applications that received Program funding for purposes of the analysis.

- KPMG used industry data collected by the AFF with respect to insurable values and production yield. As this data was collected for various purposes, there were limitations around this data and the information served as a proxy to evaluate growers' returns. For example:
  - Insurable values were calculated by AFF for purposes of calculating indemnity. As market prices were not available for analysis purposes, KPMG used insurance values in the analysis as a proxy to the market prices.
  - Production data referred to the total yield (in lbs) of a particular commodity for a specific production year. As a replanted tree takes approximately 3-5 years before it bears fruit, the production data is likely a better indication of what was replanted 3-5 years ago instead of what was replanted in the same production year.

### **3. Limitations to Growers' Data Collected Under TFRP**

Although certain grower data was collected by BCFGA as part of the application process, the primary intent of collecting the data was for operational purposes instead of for performance evaluation purposes. While there are opportunities to improve the type of data collected under the Program to facilitate future performance evaluation of the Program, the program data collected to date created limitations in KPMG's evaluation of the Program's performance. As a result, KPMG either had to leverage alternative information to perform analysis/testing or could not perform the planned procedure.

Specifically, the following data was not collected as part of the TFRP:

- Information around the type of Program participants (i.e. whether the participant was a new entrant or next generation grower) was not collected during the Program application process. KPMG leveraged AFF's industry knowledge of the Program participants to determine the type of Program participants for analysis purposes. This analysis was limited to AFF's industry knowledge at the time of fieldwork, and for at least one-third of the Program participants, AFF was not able to determine the Program participant type.
- Program participants were not required to submit any reports once their application was approved. As a result, there was no information available on Program participants' actual economic impacts, and Program participants' perceived economic impacts noted during the interviews could not be corroborated with other information.
- A grower's strategic or marketing plan was not required as part of the application process. As a result, it was not clear to what extent growers' replant decisions were influenced by current market prices or in anticipation of long-term future market demands.

### **4. Program's Intended Outcome and Strategic Initiatives**

The Program's intended outcome was quantitatively based, with a primary focus on the number of trees replanted with the available funding. Consequently, this may result in overlooking broader Program themes and relationships, and potential inequities in Program administration or funding decisions.

### **5. Inadequate Establishment of Administration Agreements**

For the 7-year period (from April 1, 2014 to March 31, 2021) in which the Program was running and administered by BCFGA, we noted there were no signed administration agreements covering the periods from October 1, 2018 to July 14, 2019, and April 1, 2020 to May 31, 2020. We understand that lapses in having a formal administration agreement in place may have been due to AFF and BCFGA's inability to come to an agreement in a timely manner. As a result, the Ministry did not fully satisfy the accountability principle over Government Transfer (per the Governance and Management Guidelines for Government Transfer, dated January 24, 2013), which states that Ministries should have suitable

governance and management arrangements in place to oversee government transfer payment funding arrangements.

In addition, for the periods in which an administration agreement between AFF and BCFGA was in place, although the agreements stated the Program's priority and eligibility requirements, the following Program elements were missing:

- performance evaluation criteria for the Program;
- specific clauses outlining the administrator's responsibilities over proper controls and processes (although there were general clauses around standard of care, skill and diligence); and
- specific clauses outlining the administrator's responsibilities over maintenance of proper records with respect to marketing, publicity, communication, and application intake and processing (although there were clauses around maintenance of certain financial records).

## **6. Role of Review Committee**

We were informed by BCFGA that the role of the Review Committee was advisory in nature and they provide recommendations of their decision on the application to BCFGA, who approves the applications/projects. We noted that this was not fully consistent with the "2021 TFRP Requirements" document, a program document which outlines general program information, types of program funding, program eligibility and program guidelines. The "2021 TFRP Requirements" document indicated that "Applications are reviewed by the Horticultural Review Committee of industry horticultural advisors and BC Ministry of Agriculture staff. Applications are reviewed for eligibility" and "Ministry of Agriculture and BCFGA review each inspection and provide recommendations for payment. BCFGA delivers recommendation for payment to BC Ministry of Agriculture (alternatively, the BCFGA may make project payments from the Competitiveness Fund)."

## **7. Application Evaluation Criteria**

Although we were informed that the Program's Review Committee initially used a scoring sheet to evaluate each application, this scoring system stopped after the first 2-3 years of the Program because the Review Committee found it was scoring the horticulturist advisors instead of the success of the replant application. KPMG noted that in subsequent years of the Program, application evaluation criteria were not well defined, resulting in inconsistencies in application evaluations and inadequate documentation. Specifically, the following were noted:

- Reference materials available to review committee members for evaluating applications varied, with some noting there was checklist used as a point of reference and others indicating there were minimal instructions provided on how to review the application;
- The 2021 TFRP Requirements did not include defined project evaluation criteria, although it outlined the eligibility criteria; and
- Records of decision for the 2021 replant year included documentation over review results (e.g. approval or decline) and approval conditions, but did not detail the Review Committee's evaluation criteria of each application.

Note: KPMG was not provided scoring sheets for the replants occurring in 2015, 2017 and 2019 to 2021, or Records of Decision for the replants occurring in 2015 to 2020. As a result, we were unable to determine if applications were consistently evaluated throughout the 7-year period from April 1, 2014 to March 31, 2021.

## **8. Conflict of Interest**

Although we were informed by BCFGA that Review Committee members were asked to sign a conflict of interest/confidentiality statement, we noted this practice was not consistently carried out or documented over the 7-year period of the Program. Specifically, the following were noted:

- The content of the signed 2016 and 2017 conflict of interest/confidentiality statements referred to the same TFRP fiscal year (i.e. 2016/17).
- Not all Review Committee members signed a conflict of interest/confidentiality statement. Specifically, we noted: (i) 3 non-voting Review Committee members did not sign the 2016 conflict of interest/confidentiality statements; (ii) 1 voting and 3 non-voting Review Committee members did not sign the 2017 conflict of interest/confidentiality statements; and (iii) there were no signed conflict of interest/confidentiality statements for 5 new committee members for the replant years 2020 and 2021. We were informed by BCFGA that it was assumed committee members would continue to be bound: (i) in subsequent years by their existing conflict of interest statement; (ii) by ethics requirements for committee members who were also members of the BC Institute of Agrologists; or (iii) by employment contracts for government and BCFGA staff.
- 2 Review Committee members informed KPMG that they were not aware of any formal definition of conflict of interest, and they were not required to sign any formal document acknowledging their understanding of conflict of interest and confidentiality in their roles.
- Through inspection of the project evaluation scoring sheets for the replants occurring in 2016 and 2018, and the records of decision for 2021, we noted that documentation of review committee members' conflict of interest was minimal and not consistently documented (i.e. sometimes there was no documentation of conflict of interest even though a committee member did not score an application). KPMG was not able to determine the extent of documentation over Review Committee members' conflict of interest for replants occurring in 2015, 2017, 2019 and 2020 as relevant documentation was requested of BCFGA but not provided to KPMG for assessment purposes.

Note: In performing the procedures related to conflict of interest, we relied on a Review Committee listing provided by BCFGA. However, we noted instances where the Review Committee listing provided by BCFGA was incomplete.

## **9. Weaknesses in Program Requirements and Processes**

Through inspection of the replant Program policies and requirements and understanding of the Program's processes, we noted gaps that may result in opportunities for an applicant to take advantage of the TFRP funding without adhering to the Program's eligibility requirements, or which were not in line with good practices. Specifically, the following were noted:

- The replant Program policies and requirements require the use of certified budwood. Although proof of tree order was included in the project application, there was no requirement to provide proof that trees replanted in the ground were purchased from an authorized nursery.
- The replant Program did not require applicants to provide proof of royalties payment until March 1, 2016 (under policy #4). Policy #4 required applicants to provide a proof of royalties payment for protected varieties, but it did not include a definition of a protected variety nor a list of protected varieties. For the 5 applications tested that were subject to policy #4 (out of 25 applications total selected for testing), the application package provided by AFF did not include any evidence of royalty payment.
- The replant Program did not require applicants to have a signed SVC Grower Agreement until October 24, 2018 (under policy #10). Policy #10 required an applicant to have a signed SVC Grower Agreement, but did not require the applicant to submit a copy of this agreement or other evidence to the Program administrator. For the 1 application tested that was subject to policy #10 (out of 25 applications total selected for testing), we did not note evidence of a signed SVC Grower Agreement.
- The Program did not have any monitoring procedures in place to assure Program participants complied with the terms and conditions of the replant Program, including whether replanted trees remained in ground for the required five-year period. Once a cheque was issued to a

grower, the application process was completed and there was no subsequent follow-up, monitoring of the replant, or reporting required of the grower.

- Through inquiry with BCFGA, we noted that Google drive was used for retention of documents and spreadsheet relating to the Program, which was not in line with good data security practices for government funded programs.

## **10. Non-Compliance with Administrator's Contractual Obligations**

For the periods in which an administration agreement was in place between BCFGA and AFF, KPMG noted instances in which the actual practices of the administrator differed from the contractual obligations of the administration agreement. Although some of these lapses were explained by BCFGA, there was inadequate documentation to evidence that AFF agreed to or approved of the non-compliances.

The non-compliances noted included the following:

- BCFGA declined to provide KPMG certain documents/information for the purposes of the program assessment (see finding #1 Limitations of Access to Program Records for details). This is likely a contravention of section 6 – Material and Intellectual Property, section 7 – Records and Reports, and section 8 – Audit per the administration agreements GS15AGR-121, GS20AGR0064 and GS21AGR065.
- A communication plan was not submitted to AFF by March 23, 2015 as per the administration agreement GS15AGR-121. Through inspection of the administrator's report dated September 30, 2015 and through inquiry with BCFGA, KPMG noted no communication plan was submitted as it could not be implemented in the timeframe of the agreement and reporting. BCFGA further informed KPMG that the administrator's report was accepted by AFF and the related administration fee was paid, indicating that the requirement to submit the communication plan was accepted as unfulfillable by AFF. However, KPMG was not provided any evidence (e.g. email communication) indicating AFF's approval over non-submission of a communication plan.
- Administrator reports submitted to AFF did not always include all the required Program statistics/data as prescribed in the administrator agreement. For example, the administrator report dated September 30, 2015 did not include the number of growers applying for bioassay grant, and the administrator report dated March 22, 2021 did not include data on payment requests (other than expected number of claims), the number of growers applying for bioassay grant and amount approved, and annual acreage by variety replanted.
- Based on the administration fee invoice listing provided by BCFGA, we could not trace \$210,187.60 of the administration fee to respective administration agreements. It was also noted that approximately \$121,737.60 of these invoiced amounts related to an administration agreement GS19AGR0059, which KPMG was not provided a signed copy of by AFF.
- BCFGA did not obtain AFF's pre-approval over media releases, promotional materials or communications in a public forum as prescribed in the administration agreement. We were informed by BCFGA that pre-approval was not required because the material was considered part of the communication plan, they were the same advertisement year-on-year, and it was believed that the marketing materials were approved by the AFF in the first couple of years of the Program.

## **11. Additional Administration Effort**

Through inquiry with BCFGA, we were informed that additional effort was expended by BCFGA in administering the Program due to government specific practices, issues and challenges. We were informed that these included the following:

- Turnover in government staff - BCFGA informed us that: they interacted with a minimum of 2 to 3 different government representatives over the 7-year period, which created substantial disruption to them; meanwhile, BCFGA experienced zero staff turnover over the 7-year period.
- The government's fiscal year did not match the Program's replant year, which created confusion for industry participants.
- The separation of Program administration from the payment requisition process required additional reconciliation and investigation of discrepancies by BCFGA.

In addition, KPMG was informed by BCFGA that AFF did not compensate BCFGA for their work on the 2021 Replant Program intake as this was normally done at the time of project claims, but the AFF and BCFGA were not able to come to terms on an agreement for the last half of the 2021 calendar year.

## **12. Industry and Program Challenges**

We noted that the tree fruit industry has been facing various challenges, some of which are broader than those that a replant program can address. Specifically, the following were noted:

- Tree fruit industry is currently disjointed with a lack of cohesion and leadership.
- There is a varying degree of grower experience and skills set.
- Economic factors such as inflation, wage increase, availability of labour and rising land costs may impact growers' returns and create barriers for new entrants to the industry. This is compounded by retirement of existing growers in the next decade with less new entrants to the industry expected, which may impact tree fruit supply.
- The Program did not materially differentiate between quality of growers, did not recognize smaller growers (i.e. growers with less than 1 acre to replant), did not recognize growers who operated in niche markets (e.g. the organic markets), did not take into account inflating replant cost, and did not enable flexibility in identifying suitable land for replant despite limited land availability (e.g. the Program only funds orchards that had tree fruits removed in the previous 5 years).

## **6. Overall Recommendations**

The challenges that the tree fruit industry is currently facing are broader than those that a replant program can address and span across communication, planning, packaging and storage, and sales and marketing. We believe that a potential continued TFRP or some other form of replant-renewal can focus on the tree fruit industry needs that relate to communication and individual orchard planning. Such needs included:

- Closer industry cooperation and communication;
- Communicate and educate growers on variety returns, trends, performance, benefits of using certified budwood, improving tree quality and best practices of top performing BC growers;
- Better quality apples including resolving key quality production issues such as diseases, insects and mites, and weeds, and mitigating risks related to extreme weather conditions; and
- Advance planning and precise management skills for high density planting to preclude replant disease, limited supply of rootstocks and support systems, and timing misses.

In consideration of the industry needs and findings of this Program assessment, we recommend that a potential continued TFRP or some other form of replant-renewal not be considered in a silo, and instead form part of a holistic approach that takes into consideration the industry's needs, the industry's long-term vision and other government programs that support the industry. Development of the industry's long-term vision is a prerequisite in advancing the industry, and would require input from the key stakeholders within the industry. This may be achieved by having a professional facilitator meet with growers, packers, marketers and retailers to constructively explore what that shared vision would look



like. Once a vision has been established, the role and goals for the program can be developed to align with the industry's overall vision.

The program goals should be defined both quantitatively and qualitatively. Illustrative examples of such goals include (but are not limited to) the following:

- Increase market share by fostering cross-communication for the industry amongst growers, packers, marketers and retailers to better understand the market needs;
- Provide support to new entrants to the industry and growers operating in niche markets; and
- Increase production of high-quality yields by X% year-on-year by having defined industry quality marks and providing horticulture advice.

In addition to the overarching program vision and goals, we believe that the following program elements should be re-evaluated/re-considered by the Ministry when establishing this potential continued TFRP or some other form of replant-renewal program:

- Program's eligibility criteria should be re-evaluated at the onset of establishing the program and at least on an annual basis thereafter to reflect current circumstances of the industry. For example, criteria which prevent new entrants or smaller size growers to apply (e.g. minimum eligible acreage for a replant block of 1 acre or the applicant must have at least 5 acres in tree fruits) and criteria that impede flexibility around what type of land to replant on (e.g. replant area must have had fruit trees removed in the previous 5 years) should be reassessed. The re-evaluation of the program criteria should be performed by qualified industry experts who are experienced with agriculture program development in consultation with key industry stakeholders, including growers and horticulturists.
- Effective compliance monitoring procedures (including on-site inspections) should be in place to assure that the program-funded applicants comply with the program requirements and the trees remained in the ground for a period of time. These compliance monitoring procedures should be in addition to the existing on-site inspection that occurs after replant and before payment.
- Require a grower's marketing plan be included in the application submission, which details how the grower expects to market or sell its commodity after replant. This marketing plan should be reviewed by the Review Committee to determine long-term viability and sustainability of the replanted trees.
- Data points on the program, including data obtained during application in-take, inspection, payment and post-payment monitoring should be centrally stored to allow for further monitoring and analysis. Ideally on at least an annual basis, this data should be analyzed and reviewed against qualitative data points to determine if the program's eligibility criteria, policies, requirements or processes require further revision. These data points can also be used by the Ministry to assess the value for money of the program over time.

When determining the delivery option of this potential continued TFRP or some other form of replant-renewal program, we believe the Ministry can consider the following factors:

- Cost of the framework;
- Resources/skills required;
- Technology required;
- Openness and transparency of the administrator – administration of government funds require transparency to support accountability and promote clarity. In addition, the program would require timely sharing of industry information and data points between the administrator and the Ministry for continuous monitoring of the program; and
- Integrity of the administrator – anyone managing public funds must do so with the utmost integrity and in a lawful manner, this includes organizations administering public funds.

Based on our analysis of the above factors, we believe the differentiating factors in choosing a program delivery model are cost, openness and transparency of the administrator, and integrity of the

administrator. As a replant program involves the administration of public funds, it is of utmost importance that the basic principles that govern all government transfers (outlined in the Governance and Management Guidelines for Government Transfers document from the Office of the Comptroller General dated January 24, 2013) be considered to instill public confidence. Hence, we recommend in the selection of a program delivery option that the Ministry place more weight on integrity, openness, and transparency of the administrator, as these are the cornerstones of proper governance over public funds.

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

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
<b>Component 1: Program Review and Characteristics</b>					
1.1	Participate in a project launch meeting with representatives of the BC Ministry of Agriculture, Food and Fisheries to clarify the scope and desired outputs of the assignment.	Not Applicable	Not Applicable	Organize a project launch meeting with representatives of the BC Ministry of Agriculture, Food and Fisheries to define the scope and clarify the desired outputs of the assignment.	KPMG met with Arif Lalani (Assistant Deputy Minister), Mark Raymond (Executive Director, Extension and Support Services Branch) and Georgina Beyers (Director, Industry Development Unit) of the BC Ministry of Agriculture, Food and Fisheries (AFF) on July 26, 2021 for a project launch meeting. Key discussion items included project objectives, scope, deliverables and documents required for drafting the workplan.
1.2	Development and approval of workplan.	Not Applicable	Not Applicable	Draft workplan outlining evaluation criteria and procedures. Discuss and review workplan with AFF, and obtain AFF's approval of the workplan.	Upon receipt of key Program documents requested from AFF, we drafted the program assessment work plan (including interview guide) and sent it to the AFF for review on September 9, 2021. The AFF provided their comments and edits to the program assessment workplan on September 20, 2021, and we incorporated these edits into the draft workplan. KPMG discussed the draft workplan with Mark Raymond (Executive Director, Extension and Support Services Branch), Georgina Beyers (Director, Industry Development Unit) and Adrian Arts (Industry Specialist – Tree Fruit/Grapes) of the AFF on September 22, 2021, and received AFF's approval of the workplan on September 23, 2021. KPMG also noted that the Ministry sent an email communication to interviewees selected for the program assessment on September 23, 2021 to inform them of the commencement of the program assessment.

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
<b>Component 2: Program Impact</b>					
2.1	Determine the extent of replant activities resulting from the Program (e.g. acres removed or replanted, etc.).	Actual replant activities may differ significantly from projections due to ineffective and/or inefficient use of resources.	Resources should be used effectively, economically, and without waste, with due regard for the total costs and benefits of the arrangement, and its contribution to the outcomes the ministry is trying to achieve ( <i>source: GMGGT – basic principles</i> ).	<ol style="list-style-type: none"> <li>1) Interview BCFGA and selected Program participants to obtain an understanding of the extent of replant activities resulting from the Program;</li> <li>2) Obtain and inspect relevant reports outlining the replant activities; and</li> <li>3) Determine the extent of replant activities (quantifiable impact) resulting from the Program. If sufficient data is provided, perform a trend analysis of the replant activities over time, and compare the actual replant activities against projections.</li> </ol>	<p>1) Interviewed Glen Lucas (General Manager, BCFGA) and 17 Program participants to obtain an understanding as to the extent of replant activities resulting from the Program, and noted the following:</p> <ul style="list-style-type: none"> <li>- Glen Lucas informed KPMG that: the Program is instrumental to the Tree Fruit industry; up to three years ago, there was growth in acreage replanted which was mainly due to high density planting and new varieties being more profitable.</li> <li>- 15 Program participants indicated that the Program helped renew orchards and encouraged growers to transition from low density to high density planting, and planting of new varieties (e.g. Ambrosia, Royal Gala, and Honey Crisp) over the years, which resulted in better fruit quality and/or higher yields.</li> <li>- 5 Program participants indicated that either they or other growers would not have replanted without the Program.</li> <li>- 5 Program participants indicated the effect of the Program was evident in the earlier years of the Program but had waned over the years. Of those, 1 Program participant indicated that the planting density had been constant in the past 5 years; 1 Program participant indicated the Program had not been successful in the past 7 years; and 2 Program participants attributed the diminishing effect of the Program to rising costs.</li> </ul> <p>2) <u>Requested from BCFGA the TFRP application listing for FY2014/2015 to FY2020/2021 on October 12, 2021, and was provided the TFRP application listing for FY2017/2018 to FY2020/2021 on December 6, 2021 and the TFRP application listing for FY2015/2016 on December 21, 2021. As of fieldwork completion date of December 29, 2021, BCFGA did not provide us the TFRP</u></p>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					<p>application listing for FY2016/2017. Due to the timing delays in receiving the TFRP application listing from BCFGA, we alternatively obtained a TFRP application listing from AFF for testing purposes (see below for details). We compared the TFRP application listings provided by BCFGA and AFF to assess the completeness of the data, and noted the following:</p> <ul style="list-style-type: none"> <li>- For FY2015/2016, the number of applications between the two listings had &lt;5% deviation but the approved amount deviated by 23%. We were not able to compare the number of trees approved and acres approved as such information was not available in the AFF provided application listing.</li> <li>- For FY2016/2017, we were not able to compare and analyze the information as BCFGA did not provide an application listing for this year.</li> <li>- For FY2017/2018, the number of applications between the two listings had 0% deviation but the number of trees, acres and amount approved deviated by 15%, 21% and 14% respectively.</li> <li>- For FY2018/2019 to FY2020/2021, the deviation between the two listings was <math>\leq 5\%</math> for number of applications, number of trees approved, number of acres approved and approved amount.</li> </ul> <p>Obtained the TFRP application listing from Elizabeth Margerison (Administrative Support Clerk, Extension &amp; Support Services Branch, AFF) for 6 replant years from FY2015/2016 to FY2020/2021. Although we requested FY2014/2015 TFRP application data from AFF, <u>we were informed that data for FY2014/2015 was not collected by the Ministry as the Program was administered by IAF at the time. In addition, for the data collected for the FY2015/2016 to FY2020/2021, it was noted that data was not always consistently collected and/or documented. Specifically, we noted that</u></p>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					<p><u>the data relating to the number of trees/acres approved and inspected for the Program was not collected for FY2015/2016, whereas it was collected for FY2016/2017 to FY2020/2021.</u></p> <p>3) Based on the information obtained in step (2) above, we analyzed the number of trees/acres inspected and approved for the replant for the 5-year period from FY2016/2017 to FY2020/2021, and noted the following:</p> <ul style="list-style-type: none"> <li>- Approximately 1.59 million trees were approved for payment under TFRP over the 5-year period. This was largely comprised of apple (~1.32 million trees / 83% of trees) and cherry (~240K trees / 15% of trees) trees.</li> <li>- The number of trees approved for payment under TFRP increased from 337,405 trees in FY2016/2017 to 431,077 trees in FY2017/2018. From FY2017/2018 onwards, the number of trees approved for payment experienced a declining trend with the lowest number of trees approved for payment in FY2020/2021, at 185,004 trees. During the same 3-year period, similar declines were noted in the number of apple trees approved for payment (particularly the Ambrosia variety). Although the number of cherry trees approved for funding increased slightly during the same 3-year period, this did not offset the significant decreases in apple trees being approved for payment.</li> </ul> <p>Refer to Appendix 3 – Tree Fruit Replant Program Trend Analysis for details on the TFRP replant trend analysis.</p> <p>Through inquiry with Adrian Arts (Industry Specialist – Tree Fruit/Grapes, AFF) and inspection of a draft projection analysis for the years 2016-2018, noted the TFRP’s projected replant acreage for the 7-year period was approximately 1,600 acres, i.e. ~230 acres/year. Based on the 5-year replant information obtained in step (2) above, we compared the actual</p>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					replant acres against prorated annual projections, and noted that for the 5-year period from FY2016/2017 to FY2020/2021, total acres approved for replant was 1,341 acres, which was 191 acres (+17%) more than the projected amount of 1,150 acres.
2.2	Determine if the Program attracted new entrants or next generation growers (defined as a child or family member taking over management or ownership of the family orchard) to help renew the grower community.	The TFRP may not be able to attract new entrants or next generation growers due to selective marketing efforts.	Develop a communication plan with tree fruit growers (source: GSA #GS21AGR065, #GS20AGR064 & #GS15AGR-121 – Schedule A, Part 2 Services).  Consider selecting recipients using a fair, open, and transparent process (source: GMGGT).	<ol style="list-style-type: none"> <li>1) Through interview with BCFGA and inspection of relevant documents, understand the number and type of Program participants over the past 7 years.</li> <li>2) Perform a year-on-year analysis of the Program participants to determine the trend, i.e. if the Program attracted new entrants or next generation growers over time.</li> <li>3) Interview industry participants to understand whether the Program has been marketed to new entrants or next generation growers.</li> <li>4) Perform analysis to determine number of times each applicant applied and received</li> </ol>	<p>1) Inquired of Glen Lucas (General Manager, BCFGA) to obtain an understanding of the type of Program participants over the past 7 years, and we were informed by Glen Lucas that the Program attracted a mix of growers over the past 7 years.</p> <p>KPMG requested for the TFRP application listing for FY2014/2015 to FY2020/2021 from BCFGA and AFF. See procedure 2.1(2) for details and limitations noted.</p> <p>We obtained the TFRP application listing from Elizabeth Margerison (Administrative Support Clerk, Extension &amp; Support Services Branch, AFF) for 6 replant years from FY2015/2016 to FY2020/2021. Through inspection of the TFRP application listing for FY2015/2016 to FY2020/2021, we <u>noted that information on the type of Program participants (i.e. whether the Program participant was a new entrant or next generation grower) was not included.</u> We further noted through walkthroughs of the application process that <u>such information was not collected at the time of the application.</u> In order to analyze the type of Program participants, AFF used its industry knowledge to determine whether the Program participants were new entrants or next generation growers (this was done for approximately 54-65% of the Program participants). This additional information was corroborated with the TFRP application listing, and through inspection, we noted the following:</p> <ul style="list-style-type: none"> <li>- 9 (2%) out of 433 applicants who applied to the Program over the 6-year period were considered new entrants.</li> </ul>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
				Program funding.	<ul style="list-style-type: none"> <li>- 47 (11 %) out of 433 applicants who applied to the Program over the 6-year period were considered next generation growers.</li> <li>- 20 (5%) out of 433 applicants who applied to the Program over the 6-year period were considered to be involved in their families' farms.</li> </ul> <p>2) Based on the data collected in step (1) above, we performed a year-on-year analysis of the Program participants to determine the trend, i.e. if the Program attracted new entrants or next generation growers over time. Based on the analysis, we noted the following:</p> <ul style="list-style-type: none"> <li>- 52 (12%) out of 433 applicants during the 6-year period from FY2015/2016 to FY2020/2021 were considered either a new entrant and/or next generation grower.</li> <li>- New entrant applicants to the Program varied between 1-3 applicants each year during the 6-year period, with the most intake for the replant occurring in FY2019/2020, with 3 new entrant applicants.</li> <li>- Next generation grower applicants to the Program varied between 4-16 applicants each year during the 6-year period, with the most intake for the replant occurring in FY2017/2018, with 16 next generation grower applicants.</li> </ul> <p>3) Interviewed 22 industry participants (i.e. Program applicants and non-Program applicants) to obtain an understanding of whether the Program was marketed to new entrants or next generation growers, and noted the following:</p> <ul style="list-style-type: none"> <li>- 12 industry participants did not think the Program was targeted at specific groups in the industry, including new entrants or next generation growers. Of those, 6 industry participants did not think the Program can attract new entrants or next generation growers due to the high entry costs.</li> </ul>



Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					<ul style="list-style-type: none"> <li>- 7 industry participants indicated that they thought the Program was targeted towards larger/existing/more established growers (e.g. commercial growers).</li> <li>- 3 industry participants were uncertain whether the Program attracted new entrants or next generation growers. Of those, 2 industry participants were not sure if the Program can attract new entrants or next generation growers, and 1 industry participant believed there is an opportunity to target new entrants or next generation growers by adjusting the Program and targeting who can apply.</li> </ul> <p>4) Based on the data collected in step (1) above, we performed an analysis to determine the number of times each applicant applied and received Program funding. <u>As the data collected and provided by AFF in step (1) above was not always consistently collected and/or documented, we assumed that applications with the statuses "Approved-Pd", "Payment Processed", "Payment Requested", "Request Payment", "Sent to CSNR" were applications that received Program funding.</u> Based on the analysis, we noted the following:</p> <ul style="list-style-type: none"> <li>- 165 (38%) out of 433 applicants applied more than once to the Program over the 6-year period from FY2015/2016 to FY2020/2021. Specifically, 91 (21%) applicants applied twice to the Program; 42 (10%) applicants applied 3 times to the Program; 25 (6%) applicants applied four times to the Program; 6 (1%) applicants applied 5 times to the Program; and 1 (0.2%) applicant applied 6 times (i.e. every year) to the Program.</li> <li>- 338 (78%) out of 433 applicants received funding, and of those, 120 (36%) applicants who received funding did so more than once. Specifically, out of 338 applicants who received funding, 79 (23%) applicants received funding</li> </ul>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					twice; 27 (8%) applicants received funding 3 times; 12 (4%) applicants received funding 4 times; 1 (0.3%) applicant received funding 5 times; and 1 (0.3%) applicant received funding 6 times (i.e. every year).
2.3	Evaluate the direct and indirect economic impacts that replant funding has had on the pomme (apple and pear), and soft fruit (apricots, cherries, nectarines, peaches), industries (in terms of improvements in sales, market demands/access and profitability).	The TFRP may not derive any economic benefits to the tree fruit industry due to inadequate set-up of the program.	Maintain, grow and/or expand the capacity, market share and/or competitiveness of the BC tree fruit industry (source: GSA #GS21AGR06 5, #GS20AGR06 4 & #GS15AGR-121 – Schedule A, Part 2, Outcomes).  TFRP has a reliable, streamlined, effective high-quality administrative program delivering the maximum number of tree replants with available annual funding (source: GSA #GS15AGR-121).	1) Interview selected Program participants, to understand the direct and indirect economic impacts that the replant funding has had on their apple, soft fruit and/or pear crops quantitatively (i.e. sales and profitability) and qualitatively.  2) Corroborate interview results with reports submitted by Program participants to determine if the perceived economic impacts are consistent.  3) Review average “grower returns” over past 7 years for selected pomme/soft fruit varieties to determine if TFRP encouraged sound farm business decisions to maintain/increas	1) Interviewed 17 Program participants to obtain an understanding of the direct and indirect economic impacts that the replant funding had on growers’ apple, soft fruit and/or pear crops quantitatively (i.e. sales and profitability) and qualitatively. Out of 17 Program participants interviewed, 12 commented on the economic impacts that the Program had on their tree fruit business. Specifically, the following were noted:  - 9 Program participants indicated that the Program helped improve their variety and/or quality of tree fruits or allowed them to be more competitive, which resulted in better marketing, sales and/or profitability. Of those, 2 Program participants specifically indicated that the competitiveness effect of the Program waned over the years due to rising costs and/or inaccessibility to new varieties.  - 3 Program participants indicated that the Program helped provide financial support, of which, 2 Program participants indicated that the effect of the financial support was more evident in the 1990’s/2000’s but waned over the years due to rising costs. For example, the Program helped a Program participant expand from a small to medium-size grower in the 1990’s/2000’s, but the current Program funding is minimal and would not allow them to grow from a medium to large size grower. In addition, 1 Program participant indicated the cost to replant 1 acre of apples 8-12 years ago was approximately \$12,000, whereas the cost today would be approximately \$26,000.  2) Based on interviews with Program participants, we were informed that

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
				<p>e farm profitability based on varietal selections.</p> <p>4) Determine if there is evidence of a long-term strategic plan relating to funding decisions for specific varieties.</p>	<p><u>Program participants were not required to submit any reports once their application was approved. Hence, Program participants' actual economic impacts could not be corroborated with the perceived economic impacts noted during the interviews.</u></p> <p>3) Obtained from James Griffith (Manager of Policy and Product Development, Business Risk Management, AFF) the industry insurable values and production data for apples and cherries over 7 calendar years from 2014 to 2020. Insurable values were calculated by AFF for purposes of calculating indemnity and served as a proxy to the market price of the commodity. <u>As this industry data was collected by AFF for purposes other than evaluating the TFRP, this data served as a proxy for analyzing grower returns (see Appendix 4 – Industry Trend Analysis for details).</u></p> <p>Through inspection and analysis of the industry insurable values and production data for apples and cherries over the past 7 calendar years from 2014 to 2020, we noted the following:</p> <ul style="list-style-type: none"> <li>- Insurable values (i.e. a proxy for market prices) for apples fluctuated during the 7-year period within the range of \$0.126/lb to \$0.211/lb, with insurable values being the highest in 2018 and lowest in 2019. The decrease in the \$/lb for apples between 2018 to 2019 was also aligned with decreases in the number of apple trees approved for payment under TFRP between FY2017/2018 to FY2019/2020 (refer to procedure 2.1 for replant trend analysis). We were informed by Adrian Arts (Industry Specialist – Tree Fruit/Grapes, AFF) that extreme weather events occurred in 2019 and 2020, which may have also impacted the market prices for apples.</li> <li>- Insurable values for cherries fluctuated during the 7-year period within the range of \$0.703/lb to \$0.829/lb, with a general upward increase in \$/lb over</li> </ul>

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					<p>the 7-year period. The insurable values for cherries were highest in 2019 and lowest in 2015. This upward trend in \$/lb for cherries was aligned with the general increase in number of cherry trees approved for payment under TFRP. In addition, when \$/lb was highest in 2019 for cherries, FY2019/2020 was also the year with the highest number of cherry trees approved for payment under TFRP (refer to procedure 2.1 for replant trend analysis). We were informed by Adrian Arts (Industry Specialist – Tree Fruit/Grapes, AFF) that extreme weather events occurred in 2019 and 2020, which may have also impacted the market prices for cherries.</p> <p>- Although the production data was analyzed across selected apple and cherry varieties, the analyses performed did not yield notable trends when compared against insurance values and tree replant trends (as per procedure 2.1). This may be due to the various factors, including horticultural and environmental factors (such as extreme weather events) which may impact the production yield. However, it was noted that production of Ambrosia and Honeycrisp apples was increasing over the past 6 years, with the most yield in 2020 of ~83M lbs and ~12M lbs respectively. To the contrary, cherry production for Lapin, Staccato and Sweetheart varieties were on a declining trend over the past 3 years, with the least production in 2020 of ~9M lbs, ~5M lbs and ~4M lbs respectively.</p> <p>Refer to Appendix 4 – Industry Trend Analysis for details on the industry insurable values and production data analyses.</p> <p>4) Based on the analysis performed in step (3) above and notwithstanding the data limitations noted, <u>there appeared to be correlation between the variety of the commodity approved for replant under</u></p>

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					<p>TFRP and the market prices at the time of replant. As it takes 3-5 years for a replanted tree to bear fruit, basing replant decisions on current market prices may not be strategic or sustainable should the commodity prices be impacted by environmental, economic or other market factors. During walkthrough of the application process, we also noted that a grower's strategic or marketing plan was not required as part of the application process. It is not clear to what extent growers' replant decisions were influenced by current market prices or in anticipation of long-term future market demands. Due to limited access to Records of Decisions by the Review Committee, we were unable to determine if the Review Committee considered long-term strategic plans prior to making funding decisions for specific varieties.</p>
2.4	Provide an assessment of the impact the Program has had on grower culture and attitude concerning the future of BC's tree fruit industry.	The TFRP may not be set-up to help promote a healthy growers' culture and attitude towards a more competitive B.C. tree fruit industry.	Maintain, grow and/or expand the capacity, market share and/or competitiveness of the BC tree fruit industry (source: GSA #GS21AGR06 5, #GS20AGR06 4 & #GS15AGR-121 – Schedule A, Part 2, Outcomes).	<p>Conduct interviews with the following stakeholders to understand the impact the Program has had on growers' culture and attitude concerning the future of BC's tree fruit industry:</p> <ul style="list-style-type: none"> <li>— BCFGA;</li> <li>— Selected Program participants; and</li> <li>— Industry participants who are not part of the Program.</li> </ul>	<p>Interviewed Glen Lucas (General Manager, BCFGF), 17 selected Program participants (of which 16 responded to this question), and 5 industry participants who are not part of the Program, to obtain an understanding of the impact the Program had on growers' culture and attitude concerning the future of BC's tree fruit industry. From the interviews, we were informed of the following:</p> <ul style="list-style-type: none"> <li>- Per Glen Lucas: The Program brought optimism and set growers up to be competitive in an environment where there was retail consolidation and continued expansion. The optimism on cherries sustained as it is less impacted by the China-US trade war. However, the optimism for apples declined in recent years due to a combination of factors including the Tree Fruit Co-op failing, premium pricing not being attained, impact of the China-US trade war, and the freezing of the Tree Fruit Competitiveness Fund. In addition, there was decline in apple acreage and the expectation is that this will continue to decline if there is a lack of signal from the government, which will also</li> </ul>

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					<p>impact the growers' confidence.</p> <ul style="list-style-type: none"> <li>- 5 out of 16 Program participants indicated that the Program brought positivity or sent the right message to the tree fruit industry, and motivated growers to replant better varieties.</li> <li>- 4 out of 16 Program participants did not think the Program impacted the growers' culture and attitude, with 1 Program participant indicating that the Program was cultivating an enforcement and patronizing culture/attitude.</li> <li>- 3 out of 16 Program participants indicated that the Program encouraged/motivated growers in the earlier years but the effect waned over the years due to rising costs and/or inaccessibility to new varieties. Specifically, 1 Program participant indicated that the Program had not impacted the grower's culture in the past 5 years.</li> <li>- 2 out of 16 Program participants did not have a view on whether the Program shifted the growers' culture/attitude.</li> <li>- 1 out of 16 Program participants indicated that the Program may have shifted the growers' mindset to be more organized but did not think the shift was enough.</li> <li>- 1 out of 16 Program participants thought the Program created a sense of entitlement, i.e. growers think the Program will always be there to support them.</li> <li>- 2 out of 5 industry participants indicated that the Program had some impact to the grower's culture/attitude. Specifically, the Program brought more awareness to growers and made growers think more long-term.</li> <li>- 3 out of 5 industry participants believed the Program was integrated with the culture or there is a cultural dependency on receiving funding from the Program. For example, 1 industry</li> </ul>

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					participant indicated growers were feeling frustrated with the communication with BCFGa when the Program administration changed from BCFGa to AFF.
2.5	Make observations on the Return on Investment the Province receives for this Program, relative to the Program's intended outcomes.	Refer to above sections.	Refer to above sections.	Based on the results of procedure 2.1 to 2.4, provide observations on the return on investment the Province receives for TFRP, relative to the Program's intended outcomes.	<p>Based on the results of procedures 2.1 through 2.4, and notwithstanding the noted limitations, we noted the following observations on TFRP's return on investment to the Province relative to the Program's intended outcome:</p> <ul style="list-style-type: none"> <li>- <u>The Program's intended outcome was quantitatively based, with a primary focus on the number of trees replanted with the available funding.</u> Through interviews, we were informed that at the onset of the 7-year Program, the Program was reassessed with the intention to clear the backlog of oversubscription to the Program from preceding years, and improve the Program data quality to identify who received funding and who did not.</li> <li>- <u>Due to limitations around access to Program records and inherent data limitations for analysis purposes, we were not able to assess whether the actual total acres approved for replant during the 7-year period exceeded the Program's projection of 1,600 acres.</u> However, by pro-rating the projections on an annual basis, and inferring the actual results, we noted that actual acres replanted for 5 out of 7 years of the Program exceeded the projections by 17%.</li> </ul> <p>If basing the conclusion solely on the number of trees replanted under TFRP, one could conclude that the return on the Program exceeded the Program's intended outcome. However, <u>we do not believe that the Program's intended outcome should be solely quantitatively based and primarily focused on the number of trees replanted, as this may result in overlooking broader Program themes and relationships, and potential inequities in Program administration or funding decisions.</u></p>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
2.6	Draft report outlining the findings of Component 2.	Not Applicable	Not Applicable	Draft an Interim Report outlining procedures and results detailed in component 2.	Procedures and results are documented in this report.
<b>Component 3: Program, Financial and Fiscal Responsibility by the Program Administrator</b>					
3.1	Assess the financial and operational management of the TFRP administration agreement.	<p>A formal and appropriate administration agreement may not be in place between the Province and BCFGA.</p> <p>The administration agreements between the Province and BCFGA may not establish accountability for managing the Program's funds.</p>	<p>There is a written government transfer agreement between the Province and BCFGA to support the government transfer payment (source: CPPM Chapter 21–section 21.3.5.2).</p> <p>There is suitable governance and management arrangements in place to oversee government transfer payment funding arrangements (source: GMGGT – basic principles).</p>	<ol style="list-style-type: none"> <li>1) Obtain all administration agreements between BCFGA and the Province for the past 7 years.</li> <li>2) Inspect the agreements to determine if the agreements establish purpose and clarity over the responsibilities and accountability with the administrator, including: <ul style="list-style-type: none"> <li>— The purpose of the agreement;</li> <li>— The TFRP's priorities, eligibility criteria and performance evaluation criteria;</li> <li>— The roles and responsibilities of the administrator, including having proper controls and</li> </ul> </li> </ol>	<p>1) Obtained 3 signed administration agreements (i.e. GS15AGR-121, GS20AGR0064 and GS21AGR065) from Adrian Arts (Industry Specialist – Tree Fruit/Grapes, AFF) for the contract terms March 16, 2014 to September 30, 2017; July 15, 2019 to March 31, 2020; and June 1, 2020 to March 31, 2021. <u>Through inspection of the administration agreements, we noted there were no signed administration agreements for the period from October 1, 2018 to July 14, 2019, and April 1, 2020 to May 31, 2020. Inquired of Adrian Arts and were informed that although there was a modification agreement drafted to extend administration services to March 31, 2018, the agreement was not signed by AFF or BCFGA.</u></p> <p>In addition, we noted there was a signed agreement between IAF and BCFGA dated October 2, 2012 with respect to \$1.98M funding for the Strategic Tree Fruit Replant Program for the period from January 1, 2013 to December 31, 2014, and a signed shared cost arrangement between IAF and the Province dated August 20, 2015 for \$117,000, collectively referred to as the "IAF agreements". Through inquiry of Michelle Koski (CEO, BC IAF), Chris Reed (Director, BC IAF) and Jenn Poulsen (Senior Finance Administrator, BC IAF), we were informed of the following:</p> <ul style="list-style-type: none"> <li>- The agreement between IAF and BCFGA dated October 2, 2012 was with respect to funding the TFRP for the period from January 1, 2013 to December 31, 2014 (the "program period").</li> <li>- At end of the program period, IAF conducted an audit and noted that</li> </ul>



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				processes in place, and maintaining proper records related to TFRP.	<p>\$117,000 of the funding provided to BCFGA was not spent by BCFGA. As a result, the unspent amount of \$117,000 was clawed back from BCFGA in accordance with the agreement.</p> <ul style="list-style-type: none"> <li>- The unspent amount of \$117,000 was later returned back to the industry through the shared cost arrangement between IAF and the Province dated August 20, 2015.</li> <li>- Under the shared cost arrangement between IAF and the Province dated August 20, 2015, IAF acted under the direction of the Province (i.e. the Province provided instructions to IAF on who to send the money to).</li> </ul> <p>KPMG discussed the background and context of the IAF agreements with Adrian Arts (Industry Specialist – Tree Fruit/Grapes, AFF), and it was agreed that these agreements would not be further included in the scope of this program assessment.</p> <p>2) Inspected the 3 administration agreements obtained in step (1) above to determine if the agreements established purpose and clarity over the responsibilities and accountability with the administrator, including the purpose of the agreement; the TFRP's priorities, eligibility criteria and performance evaluation criteria; and the roles and responsibilities of the administrator (including having proper controls and processes in place, and maintaining proper records related to TFRP). Through inspection, we noted the following:</p> <ul style="list-style-type: none"> <li>- The administration agreement GS15AGR-121 dated March 12, 2015 was signed one year after the contract term start date of March 16, 2014, and was applied retrospectively. <u>Although this administration agreement stated the Program's priority and eligibility requirements, it did not specifically state the performance evaluation criteria for the Program. In addition, although this administration agreement</u></li> </ul>

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					<p><u>included general contractual clauses around the administrator to “perform the Services to a standard of care, skill and diligence maintained by persons providing, on a commercial basis, services similar to the Services” and “maintain time records and books of accounts, invoices, receipts and vouchers of expenses in support of those payments, in form and content satisfactory to the Province”, it did not include any other specific requirements regarding the administrator having proper controls and processes in place, and maintaining proper records with respect to marketing, publicity, communication, and applications intake and processing.</u></p> <p>- The administration agreements GS20AGR0064 and GS21AGR065 dated July 10, 2019 and June 1, 2020 respectively <u>did not include the Program’s priorities, eligibility criteria and performance evaluation criteria. In addition, although these administration agreements included general contractual clauses requiring the administrator to “perform the Services to a standard of care, skill and diligence maintained by persons providing, on a commercial basis, services similar to the Services” and “maintain time records and books of accounts, invoices, receipts and vouchers of expenses in support of those payments, in form and content satisfactory to the Province”, they did not include any other specific requirements around the administrator having proper controls and processes in place, and maintaining proper records with respect to applications intake and processing.</u></p>
3.2	<p>Assess whether the program administrator:</p> <p>a. Has appropriate documentation,</p>	There may be no defined process and/or controls in place for managing and processing	Resources should be used effectively, economically, and without waste, with	Walkthrough a project application lifecycle (i.e. from application submission to approval, to payment and project	<p><b>Project Application Lifecycle Walkthrough</b></p> <p>Through inquiry with Glen Lucas (General Manager, BCFGA) and inspection of relevant documentation, we were informed of and noted the following with</p>

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	systems, and internal controls in place to administer government programs efficiently and effectively.	<p>applications.</p> <p>There may be a lack of an audit trail maintained over the Program's applications, financial records, marketing activities and/or funding considerations .</p>	<p>due regard for the total costs and benefits of the arrangement, and its contribution to the outcomes the ministry is trying to achieve (source: <i>GMGGT – basic principles</i>).</p> <p>There is a systematic process for considering applications or requests against eligibility criteria (source: <i>GMGGT</i>).</p> <p>BCFGA must maintain time records and books of account, invoices, receipts and vouchers of expenses in support of those payments. Such documents should be retained for a period of not less than 7 years after the end of the agreement (source: <i>GSA #GS21AGR06 5</i>,</p>	<p>completion) and determine if there are appropriate documentation, systems and internal controls in the process to allow for effective and efficient administration of government programs.</p>	<p>respect to the TFRP application lifecycle:</p> <ul style="list-style-type: none"> <li>- Marketing of the Program typically started in the summertime (around June/July) till the application deadline (around October/November).</li> <li>- BCFGGA received Program applications via mail, fax and email. Upon receipt of applications, the BCFGGA Coordinator printed and time stamped the applications.</li> <li>- The BCFGGA Coordinator scanned through the applications and reviewed the application checklist (included on the application form) to help ensure completeness of the application. The BCFGGA Coordinator followed up with the respective grower if anomalies were noted. We were further informed by Glen Lucas that <u>BCFGGA may also help fill in the application form if minor edits are required (e.g. missing acreage information)</u>.</li> <li>- An acknowledgement letter (either hardcopy or via email) was sent to the applicant informing them of receipt of the application by BCFGGA. If the application was evidently not eligible for the Program (e.g. the applicant applied to remove tree fruits and replant grapes), then the application would be rejected upfront and not passed on to the Review Committee.</li> <li>- The BCFGGA Coordinator was responsible for setting up the Review Committee meetings, coordinating the application information and sending it to the Review Committee members in advance of the meeting.</li> <li>- The Review Committee met on an annual basis to go through eligibility of each application. The decisions of the Review Committee were recorded in the Records of Decision (ROD). <u>Although BCFGGA provided us the FY2020/2021 ROD for inspection, the ROD for FY2014/2015 to FY2019/2020 were requested but not provided to us by fieldwork completion date.</u> We were</li> </ul>

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			<p>#GS20AGR06 4, &amp; #GS15AGR-121 – section 7.2, and Funding Agreement between IAF and BCFGA).</p> <p>IAF must establish and maintain accounting and administrative records as the basis for calculation of amounts owing, and books of account, invoices, receipts, and vouchers for all expenses incurred (source: SCA Agreement #TAGR16002).</p> <p>TFRP has a reliable, streamlined, effective high-quality administrative program delivering the maximum number of tree replants with available annual funding (source: GSA #GS15AGR-121).</p>		<p>further informed by Glen Lucas that the Review Committee completed a scoring sheet, but <u>that this scoring system stopped after the first 2-3 years of the Program because the Review Committee found it was scoring horticulturist advisors instead of the success of the replant application</u>. Glen further informed us that <u>the role of the Review Committee was advisory in nature and not decision-making</u>. The Review Committee <u>advised the BCFGA, and the BCFGA administrator approved the applications/projects</u>. See procedure 3.2(g) for details.</p> <ul style="list-style-type: none"> <li>- A confirmation letter, either approving or rejecting the application, was prepared by the BCFGA Coordinator based on outcome of the Review Committee. The confirmation letter was reviewed and signed by the General Manager of BCFGA before it was sent to the applicant.</li> <li>- For rejected applications, the applicant may go through the Appeal Committee to have their case heard and re-reviewed.</li> <li>- For approved applications, the grower replanted in the spring and an inspector inspected the replanted property in the summer with the results outlined in an inspection report.</li> <li>- The inspection report was reviewed by the General Manager of BCFGA and AFF's Tree Fruit Specialist to determine if the grower should receive the funding. Items considered as part of this review include whether the right variety was replanted, the number of trees replanted and the survival rate of the trees. We were informed by Glen Lucas that if the survival rate is &gt;90%, then growers were paid 100% of their approved amount for each tree planted. If the survival rate was between 50-90%, then the grower received a portion of their approved funding for each tree planted, and if the survival rate was below 50%, no funding was</li> </ul>

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					<p>provided.</p> <ul style="list-style-type: none"> <li>- Once the General Manager of BCFGA and AFF's Tree Fruit Specialist approved the applications for funding, the BCFGA Coordinator entered the inspection data into BCFGA's database in MS Access. The database calculated the funding amount based on the inputs, such as tree density and maximum acreage.</li> <li>- The information in the database was then exported to a spreadsheet by the BCFGA Coordinator and reviewed by the General Manager of BCFGA before it was sent to the Ministry for cheque requisition.</li> <li>- The Ministry reviewed payment requests to underlying documents, and upon review, initiated the cheque payment process by submitting transaction information and preparing an invoice.</li> <li>- <u>Once a cheque was issued to a grower, the application process was completed and there were no subsequent follow-up, monitoring or reporting required of the grower.</u></li> </ul> <p><b>Project Application Form Walkthrough</b></p> <p>Through inspection of the BCFGA and Provincial Government websites, we noted both websites contained information on the BC Tree Fruit Replant Program. We inspected the application form and noted the following:</p> <ul style="list-style-type: none"> <li>- The application form included an application requirement checklist, which required the applicant to submit a completed and signed application form, a detailed plot plan, tree order confirmation and a soil test report.</li> <li>- The application form required a statement from a qualified horticulturalist.</li> <li>- Terms and conditions of the Program were standardized and included in the application form.</li> </ul>

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	b. Possesses and utilizes the resources (personnel, technology, etc.) necessary to effectively manage and administer the Program.	There may be insufficient or inadequate resources for managing and administering the Program.	Resources should be used effectively, economically, and without waste, with due regard for the total costs and benefits of the arrangement, and its contribution to the outcomes the ministry is trying to achieve (source: GMGGT – basic principles).	Obtain an understanding of the resources (personnel, technology, etc.) utilized in the application lifecycle, and determine if resources deployed are sufficient to effectively manage and administer the Program.	<p><b>Personnel</b></p> <p>Through inquiry with Glen Lucas (General Manager, BCFGA), we were informed of the following key personnel involved in the TFRP application lifecycle:</p> <ul style="list-style-type: none"> <li>- Time from 3 BCFGA employees, including the General Manager, a Coordinator and an Accountant. The General Manager was responsible for communicating with the Ministry on administration agreements, developing and finalizing Program policies with the Ministry. The Coordinator was responsible for data entry, collating information for the Review Committee and maintaining the Program's database in MS Access. The Accountant was responsible for gathering and summarizing information for annual reporting to the Ministry, maintaining the payment schedule and invoicing.</li> <li>- 4 seasonal part-time inspectors, who were contractors and responsible for inspecting the applicant's replanted property.</li> <li>- Appeal Committee members, comprised of growers and a consultant who performed investigations. Appeal Committee members were paid per diem for their time involved in the TFRP.</li> <li>- BCFGA Board of Directors who provided oversight and governance over the TFRP.</li> </ul> <p><u>We were informed by Glen Lucas that one of the significant issues impacting the Program was the turnover in government staff. Glen indicated that BCFGA interacted with a minimum of 2-3 different people in the AFF's administrative positions over the 7-year period, which resulted in substantial disruption and additional effort by BCFGA. Glen further informed us that the BCFGA staffing remained stable with no staff turnover over the 7-year period. However,</u></p>

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					<p><u>Glen indicated that when the program administration agreement was not extended, BCFGA terminated the coordinator position (i.e. the individual who completed data entry and performed day to day file management tasks).</u></p> <p><b>Technology</b></p> <p>Through inquiry with Glen Lucas (General Manager, BCFGA), we were informed that BCFGA used the following tools for administering the Program:</p> <ul style="list-style-type: none"> <li>- MS Access for maintaining the Program's application database. This database was backed up manually onsite.</li> <li>- MS Word and Excel applications were used for reporting.</li> <li>- Xero was used for accounting purposes.</li> <li>- <u>Google drive was used for storing documents and spreadsheets. We noted this was not in line with good data security practices for government funded programs.</u></li> <li>- Spanning was used for online subscription of cloud back-up.</li> <li>- Onsite storage was used to store printed applications and hardcopy documents. Glen informed us that hardcopy documentation was stored onsite for approximately 10 years, and they were also scanned for digital retention.</li> </ul> <p><b>Funding</b></p> <p>See procedure 3.2h for details on administration fee calculation.</p> <p><b>Other</b></p> <p><u>Through inquiry with Glen Lucas (General Manager, BCFGA), we were informed that the following nuances in government practices created confusion and additional effort on BCFGA's end to administer the Program:</u></p> <ul style="list-style-type: none"> <li>- <u>The Government's fiscal year did not</u></li> </ul>

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					<p><u>align with the Program year which created confusion for industry participants.</u></p> <p>- <u>The separation of program administration from the payment requisition process required additional reconciliation and investigation of discrepancies by BCFGA due to different applications used by BCFGA and AFF to maintain the program's data.</u></p>
	c. Has demonstrated transparency in the administration and implementation of the Program (e.g. proponent applications, project approval, project funding and administration, reporting processes, etc.).	Application process and/or status may not be transparent to the applicant.	Administration of government transfer payments should be transparent to support accountability and promote clarity and shared understanding of respective roles and obligations between the ministry, BCFGA, and recipients of the funds ( <i>source: GMGGT – basic principles</i> ).	<p>Obtain an understanding of how BCFGA informs/communicates with project applicants during the following key milestones of the project application lifecycle:</p> <ul style="list-style-type: none"> <li>— receipt of project application;</li> <li>— application review, including review committee member selection and review criteria;</li> <li>— project application approval results;</li> <li>— applicant appeal process;</li> <li>— project funding and administration; and</li> <li>— project status and completion reporting</li> </ul>	<p>Through inquiry with Glen Lucas (General Manager, BCFGA) and interviews with key stakeholders, we were informed of the following key communications with applicants:</p> <ul style="list-style-type: none"> <li>- The BCFGA was responsible for relaying TFRP application information to the applicant. Specifically, BCFGA sent project applicants an acknowledgement letter to inform them that their application was received, and a confirmation letter, outlining results of their application review. The BCFGA Coordinator may have also had ongoing communication with applicants, especially if the applications were not complete or if there were missing documentation.</li> <li>- Generally, after the confirmation letter was sent to the applicant, there was no other formal communication between BCFGA and the applicant. If an application was rejected and the applicant decided to appeal the decision, the communication with the applicant would be between the Appeal Committee Coordinator and the applicant.</li> </ul>



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	d. Maintains financial records in accordance with standard practice that are available for inspection when requested.	There may be a lack of an audit trail maintained over the Program's financial records.	BCFGA must maintain time records and books of account, invoices, receipts and vouchers of expenses in support of those payments. Such documents should be retained for a period of not less than 7 years after the end of the agreement (source: GSA #GS21AGR06 5, #GS20AGR06 4, & #GS15AGR-121 – section 7.2, and Funding Agreement between IAF and BCFGa).  IAF must establish and maintain accounting and administrative records as the basis for calculation of amounts owing, and books of account, invoices, receipts, and vouchers for all expenses	Through other procedures performed in this workplan, determine if the administrator maintained proper financial records in accordance with standard practice and are available for inspection when requested.	<p>We inquired Glen Lucas (General Manager, BCFGa) and were informed that BCFGa retained documentation for TFRP for a period of at least 10 years (in hardcopy and/or electronically). However, through performing other procedures in this workplan, <u>we requested from Glen Lucas (General Manager, BCFGa) a number of documents, and some of these documents were either not provided by fieldwork completion date or our requests for the information were declined.</u> Notwithstanding non-financial records that were not provided by BCFGa (detailed in other procedures of this workplan), the financial records that were not provided to us for inspection by fieldwork completion date included (but were not limited to) the following:</p> <ul style="list-style-type: none"> <li>- <u>Email communications with the Ministry to evidence report/invoice submissions (other than that dated September 29, 2015);</u></li> <li>- <u>Administration fee invoices;</u></li> <li>- <u>Records of decision for FY2014/2015 to FY2019/2020;</u></li> <li>- <u>Breakdown of marketing costs for the 7-year period;</u></li> <li>- <u>Breakdown of how the administration fee was spent (BCFGa declined to provide this information indicating this information was internal to BCFGa and not part of the TFRP administration agreement for the purposes of this performance assessment);</u></li> <li>- <u>Program budgeting analysis; and</u></li> <li>- <u>A list of approved/completed replant applications for FY2016/2017.</u></li> </ul> <p>For some of the documents listed above, BCFGa referred KPMG to AFF for a copy of the documentation. <u>Due to limitations around access to Program records, we were not able to determine whether BCFGa had proper records of the requested documents but chose not to provide them for inspection on the basis</u></p>

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			incurred (source: SCA Agreement #TAGR16002).		<p>that they expected AFF to provide KPMG a copy, or if BCFGa did not have proper records of the requested documents.</p> <p>For documents that were provided to KPMG for inspection, it took on average of 22 calendar days for BCFGa to turnaround these documents. Of the documents that were provided to KPMG for inspection, some were not complete and required additional follow-up with BCFGa.</p> <p><u>Based on the scope limitation mentioned above, we were not able to determine if the administrator maintained proper financial records in accordance with standard practices.</u></p>
	e. Provides effective and objective marketing and outreach concerning the Program to the entire tree fruit industry.	<p>TFRP may not be marketed to the broader BC Tree Fruit Industry or only marketed to selected individuals or organizations who are related/ connected parties.</p> <p>The TFRP may not be able to attract new entrants or next generation growers due to selective marketing efforts.</p>	<p>Maintain, grow and/or expand the capacity, market share and/or competitiveness of the BC tree fruit industry (source: GSA #GS21AGR06 5, #GS20AGR06 4 &amp; #GS15AGR-121 – Schedule A, Part 2, Outcomes).</p> <p>Develop a communication plan with tree fruit growers (source: GSA #GS21AGR06 5, #GS20AGR06 4 &amp; #GS15AGR-121 – Schedule A,</p>	<p>1) Through interviews with BCFGa and selected Program applicants, obtain an understanding of the marketing and outreach activities that have been performed.</p> <p>2) For a sample of marketing and outreach activities, through inspection of relevant documents, determine the following:</p> <ul style="list-style-type: none"> <li>— whether the marketing/outreach activity existed;</li> <li>— whether the marketing/outreach activity targeted the appropriate audience (e.g. the marketing material was objective and</li> </ul>	<p>1) Interviewed 17 Program applicants to obtain an understanding of how they became aware of the Program, and noted that 16 Program applicants had recollection of how they were informed of the Program. Through interviews, we were informed of the following:</p> <ul style="list-style-type: none"> <li>- 9 out of 16 Program applicants heard of the Program through a combination of communication media.</li> <li>- 7 out of 16 Program applicants heard of the Program through 1 communication medium.</li> <li>- Of the 16 Program applicants interviewed, we noted that the communication media with the greatest outreach % (i.e. % of applicants informed of the Program) included BCFGa communications (44% outreach); BC Tree Fruit Cooperative written and/or oral communications (19% outreach); word of mouth (15% outreach); and through experience in other industry roles (11% outreach). The communication media with less than 10% outreach included industry publications (7% outreach) and ministry communications (4% outreach).</li> </ul> <p>2) Obtained 7 annual reports prepared by BCFGa from Glen Lucas (General Manager, BCFGa) for the purposes of</p>

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			<p><i>Part 2 Services).</i></p> <p>There is consideration to select recipients using a fair, open, and transparent process (source: GMGGT).</p>	<p>was made available to the broader tree fruit industry); and</p> <p>— whether the scope of marketing/outreach activity was province-wide or limited to certain geographic area(s).</p> <p>3) Based on marketing and outreach information provided by the administrator, perform a trend analysis to assess frequency and cost of marketing and outreach activities over the past 7 years.</p>	<p>obtaining a population of marketing activities conducted for the Program over the 7-year period. Through inspection of the information provided, <u>we noted that publication dates were missing for 30 out of the 59 marketing activities. Inquired Glen Lucas of the missing publication dates and we were informed that in his view, the list of marketing activities was complete, and suggested that KPMG select marketing activities based on the listing provided.</u> For 29 of the marketing activities where publication dates were available, we selected 3 marketing activities (one from each publisher) for testing to determine (i) whether the marketing/outreach activity existed; whether the marketing/outreach activity targeted the appropriate audience (e.g. the marketing material was objective and was made available to the broader tree fruit industry); and (iii) whether the scope of marketing/outreach activity was province-wide or limited to certain geographic area(s).</p> <p>For 2 out of 3 selected marketing activities, we did not note any exceptions from testing. <u>For 1 out of 3 selected marketing materials, we were not able to complete testing due to inaccessibility to BCFGA's Friday File (i.e. BCFGA's newsletter to BCFGA members) and timeline constraint of fieldwork.</u></p> <p>3) Based on the marketing and outreach information obtained in step (2) above, we performed a trend analysis to assess the frequency of marketing and outreach activities over the past 7 years. We noted the number of marketing activities fluctuated between FY2015/2016 and FY2020/2021 within the range of 5 to 20, with publications being the highest in FY2020/2021 and lowest in FY2018/2019. <u>We were not able to assess the cost of marketing and outreach activities over the past 7 years as this information was not provided to KPMG by BCFGA.</u></p>
	f. Demonstrates ability to meet	Program administrators	Stipulations must be met	1) Obtain all program	1) Refer to procedure 3.1 for results with respect to signed administration

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	all contractual obligations (deliverables, delivery dates, reporting etc.) as outlined in Administration Contract(s),	may not be executing the Program in line with contractual obligations outlined in the administration agreements.	after a government transfer is provided and recipients must meet the stipulations of the government transfer in order to keep the transfer <i>(source: CPPM 21.3.3.4b).</i>	<p>administration agreements for the past 7 years and identify key contractual obligations, including requirements around deliverables, delivery dates and reporting.</p> <p>2) Interview program administrators to understand whether key contractual obligations were adhered to during the 7-year period. Where non-compliance is identified, understand the rationale and determine if appropriate agreement/approval was sought from AFF.</p> <p>3) On an ad-hoc sample basis, inspect relevant documents (e.g. deliverables and reports) to determine if the administrator met key contractual obligations.</p>	<p>agreements obtained.</p> <p>Through inspection of the 3 signed administration agreements (i.e. GS15AGR-121, GS20AGR0064 and GS21AGR065), noted that key contractual obligations, including requirements around deliverables, delivery dates and reporting were outlined in Schedule A of the respective agreements.</p> <p>2) Where relevant, for exceptions noted in the testing of contractual obligations, we inquired of Glen Lucas in relation to the exceptions. See step (3) below for details.</p> <p>3) Through inspection of Schedule A of the 3 signed administration agreements (i.e. GS15AGR-121, GS20AGR0064 and GS21AGR065), noted that each agreement had 9 agreed reporting deliverables. Selected 2 reporting deliverables for each agreement (totaling 6 reporting deliverables), and inspected relevant documents to determine if the administrator met key contractual obligations. Through inspection, noted the following:</p> <ul style="list-style-type: none"> <li>- Administrator reports (provided by either AFF or BCFGA) were provided for 4 out of 6 selected reporting deliverables. <u>No administrator reports were provided by either AFF or BCFGA for 2 out of 6 reporting deliverables, which were both related to the administration agreement GS20AGR0064. As a result, we were not able to determine whether BCFGA met key contractual obligations as prescribed in administration agreement GS20AGR0064.</u></li> <li>- Out of the 4 selected reporting deliverables where administrator reports were provided, <u>we noted the following exceptions.</u></li> <li>- <u>1 reporting deliverable related to reporting a communication plan by March 23, 2015 per administration agreement GS15AGR-121 was not submitted to AFF. Through inquiry</u></li> </ul>

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					<p>with Glen Lucas, we were informed that no communication plan could be implemented in the timeframe of the agreement and reporting, so no plan was developed. We were further informed by Glen Lucas that this was noted in the administrator report that was submitted and accepted by the AFF, and the related administration fee was paid, indicating that the requirement to submit the communication plan was accepted as unfulfillable by the BC Ministry of Agriculture. Through inspection of the administrator's report dated September 30, 2015, we noted that "No communication plan is required for publicity on the 2015 Program, as intake will be completed March 31, 2015, and publicity was completed by AGRI prior to project initiation". However, we were not provided any evidence indicating AFF's approval over non submission of a communication plan.</p> <ul style="list-style-type: none"> <li>- 1 reporting deliverables related to reporting on Program statistics by September 30, 2015 per administration agreement GS15AGR-121, did not include number of growers applying for bioassay grant as prescribed in the agreement.</li> <li>- 1 reporting deliverables related to reporting on Program statistics/data per GS21AGR065, dated March 22, 2021 did not include any statistical data on payment requests (other than expected number of claims); the number of growers applying for bioassay grant and amount approved; and annual acreage by variety replanted as prescribed in the administrator agreement.</li> <li>- For 2 out of 4 selected reporting deliverables, no evidence (e.g. emails) were provided by either BCFGA or AFF to evidence that the selected reporting deliverables were timely delivered to AFF by BCFGA.</li> </ul>

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					<p>In addition to the above exceptions, as detailed in procedure 3.2d and throughout this workplan, some of the documents we requested from BCFGA were either not provided to us for inspection by fieldwork completion date or were declined to be provided to us for inspection. This is likely in contravention of section 6 – Material and Intellectual Property, section 7 – Records and Reports, and section 8 – Audit per the administration agreements GS15AGR-121, GS20AGR0064 and GS21AGR065.</p>
	g. Makes objective, transparent program funding decisions consistent with Program criteria.	<p>Applications may be assessed inconsistently or assessed without appropriate assessment criteria in place.</p> <p>Funding decisions and/or assessment criteria are not transparent or known to the applicants.</p>	<p>Funding recipients meet eligibility criteria or meet ongoing eligibility criteria. (source: GMGGT).</p> <p>There is consideration to funding characteristics for selecting recipients (source: GMGGT).</p> <p>There is consideration to select recipients using a fair, open, and transparent process (source: GMGGT).</p>	<p>Obtain an understanding of how Program funding decisions are made, including whether there are any defined project evaluation criteria established and if the decisions are documented.</p>	<p>Inquired of Glen Lucas (General Manager, BCFGA) and we were informed of the following:</p> <ul style="list-style-type: none"> <li>- In 2015, the Ministry contracted a horticulturist to develop a format of the replant plan. Based on the replant plan, Glen and the Review Committee at the time developed a scorecard to score applications. The original intention of the scoring was to ration the funds.</li> <li>- <u>Scoring of applications stopped after the first 2-3 years of the Program because the Review Committee found it was scoring horticulturist advisors instead of the success of the replant application. The Review Committee felt the grower's score came in at the end during the inspection (i.e. by evaluating the replant trees' survival rates).</u></li> </ul> <p>Furthermore, we were informed by Glen Lucas that <u>although the Review Committee reviewed TFRP applications, the role of the Review Committee was advisory in nature and not decision-making. The Review Committee advised the BCFGA, and the BCFGA administrator approved the applications/projects. We noted this was not fully consistent with the 2021 TFRP Requirements, which indicated that "Applications are reviewed by the Horticultural Review Committee of industry horticultural advisors and BC Ministry of Agriculture staff. Applications are reviewed for eligibility" and "Ministry of Agriculture and BCFGA review each</u></p>

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					<p><u>inspection and provide recommendations for payment. BCFGGA delivers recommendation for payment to BC Ministry of Agriculture (alternatively, the BCFGGA may make project payments from the Competitiveness Fund)."</u></p> <p>Through interviews with 3 of the Review Committee members, we were informed that applications were reviewed by the Review Committee for horticulture/technical feasibility (e.g. root stock, tree density, variety), pollination plan and within the 1 to 10 acre replant perimeter. <u>One Review Committee member mentioned they had a checklist as a point of reference to weigh the more important considerations as part of the replant. Two Review Committee members indicated there were minimal instructions provided on how to review the applications, and the eligibility criteria were quite loose with inconsistencies on review and recommended approval of applications.</u></p> <p>Through inspection of 2021 TFRP Requirements and Policies, noted that these documents outlined the application eligibility criteria and planting policies. <u>Although the 2021 TFRP Requirements indicated that "Applications are reviewed by the Horticultural Review Committee of industry horticultural advisors and BC Ministry of Agriculture staff. Applications are reviewed for eligibility", there were no defined project evaluation criteria included.</u></p> <p>Inspected the scoring sheets used by the Review Committee in 2016 and 2018. Through inspection, noted the following factors were considered as part of scoring:</p> <ul style="list-style-type: none"> <li>- Variety value</li> <li>- Planting</li> <li>- Planting system and supports</li> <li>- Variety appropriateness</li> <li>- Pre-planting preparation</li> </ul>



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					<ul style="list-style-type: none"> <li>- Planting plan</li> <li>- Post-planting plan</li> <li>- Cash flow</li> <li>- Map</li> <li>- Whole farm planning; and</li> <li>- Applications &amp; extras</li> </ul> <p><u>Further noted through inspection of the Records of Decision dated January 2021 that Records of Decision included documentation of review results (e.g. approval or decline) and approval conditions, but it did not detail the Review Committee's evaluation criteria of each application.</u></p> <p><u>We were not provided scoring sheets used by the Review Committee in 2015, 2017 and 2019 to 2021, or Records of Decision for the committee meetings held in 2015 to 2020. As a result, we were not able to determine if applications were consistently evaluated throughout the 7-year period from April 1, 2014 to March 31, 2021.</u></p>
	h. Appropriately utilizes program administration fees.	Program administration fees may not be used appropriately for managing and administering the Program.	<p>There is specific assessment of the basis for the amount of the transfer payment sought (<i>source: GMGGT</i>).</p> <p>Anyone who is managing public resources must do so with the utmost integrity (<i>source: GMGGT – basic principles</i>).</p>	<p>1) Through interview with BCFGA obtain an understanding of how the program administration fees are utilized.</p> <p>2) Obtain the financial records for the TFRP for the past 7 years and perform a trending analysis to understand how the program administration fees are utilized.</p> <p>3) On an ad-hoc sample basis, trace administration fees spent to relevant supporting documents.</p>	<p>1) Inquired of Glen Lucas (General Manager, BCFGA) and we were informed that program administration fees were calculated based on 7% of paid claims for the first administration agreement, and based on 10% of paid claims from the second administration agreement onwards. Glen Lucas further informed us that the administration fee covered (i) direct costs of the Program (e.g. payments to inspectors, payments to contractor for maintaining the Program's database and advertising costs); and (ii) overhead cost, which included salaries for BCFGA staff's time (representing ~50% of the BCFGA Coordinator's time and 20% of the General Manager's time), utilities and board time (~\$200/hour). Glen indicated that BCFGA assessed the administrative fee periodically and he believe that basing the administration fee on 10% of the paid claims, allowed BCFGA to break-even on administering</p>



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					<p>the Program.</p> <p><u>We were further informed by Glen Lucas that AFF had not compensated BCFGa for their work on the 2021 Replant Program intake as this was normally done at the time of project claims, but the AFF and BCFGa were not able to come to terms on an agreement for the last half of the 2021 calendar year.</u></p> <p>2 &amp; 3) Requested from Glen Lucas (General Manager, BCFGa for a breakdown of the TFRP administration fee for the 7-year period for the purposes of understanding how the administration fee was spent. <u>We were informed by Glen Lucas that the requested costing information was internal to BCFGa and not part of the TFRP administration agreement for the purposes of this performance assessment. As a result, we were not provided any detail breakdown or supporting documents to determine how the administration fee was utilized.</u></p> <p>Alternatively, we obtained a Replant Funding Summary and an Invoice History of the administration fee from Glen Lucas (General Manager, BCFGa). Through inspection, we noted the following:</p> <ul style="list-style-type: none"> <li>- <u>the total invoiced administration fee per the Invoice History was \$623,176.56, whereas the total administration fee per the Replant Funding Summary was \$809,200, resulting in a difference of \$186,023.44.</u> We inquired Glen Lucas and were informed that these reports were used for internal management reporting purposes and not for invoicing purposes. Glen further informed us that the actual administration payments were recorded in the invoices provided to AFF. <u>However, we were not provided the respective invoices for inspection.</u></li> <li>- For invoiced amounts of \$412,988.96 per the Invoice History, the invoice dates and amounts were aligned with the respective administration agreements, i.e. the invoice date was</li> </ul>

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					<p>no later than what was prescribed in the administration agreement and the amount was within the maximum allowable amount per the administration agreement.</p> <ul style="list-style-type: none"> <li>- <u>For invoiced amounts totalling \$210,187.60 per the Invoice History (i.e. \$25,000 dated September 19, 2017, \$63,450 dated February 26, 2018, \$50,000 dated July 15, 2018, \$50,000 dated October 31, 2018 and \$21,737.60 dated February 15, 2019), we were not able to trace these amounts to respective administration agreements. It was also noted that approximately \$121,737.60 of these invoiced amounts related to an administration agreement #GS19AGR0059, which KPMG was not provided by AFF.</u></li> </ul>
	i. Adheres to the CAP communications protocols, and requests approval of all outward-facing media releases and grower announcements.	There may be a lack of an audit trail to evidence that outreach and marketing activities occurred.	<p>BCFGA must not provide any media releases, promotional materials or communications in a public forum with respect to the Services except if they have been approved in advance by the Province (source: GSA #GS21AGR06 5 Schedule I bullet #2, #GS20AGR06 4 Schedule H bullet #2).</p> <p>BCFGA must acknowledge the financial contribution made by the Province on</p>	<p>1) Obtain an understanding of the following:</p> <ul style="list-style-type: none"> <li>- the industry outreach and awareness activities conducted during the 7-year period;</li> <li>- how marketing, publicity and communications are determined, including how the target market is determined; and</li> <li>- the approval process before outward-facing communications are published.</li> </ul> <p>2) For a selection of outreach and awareness activities, determine if:</p> <p>(i) financial</p>	<p>1) Inquired Glen Lucas (General Manager, BCFGa) and we were informed of the following:</p> <ul style="list-style-type: none"> <li>- Awareness of the Program started initially with the growers asking for this Program. Approximately 70-80% of growers were aware of the Program through BCFGa conventions, BCFGa's annual general meeting which was opened to BCFGa members and non-BCFGa members, and through industry newsletters.</li> <li>- There was a marketing plan which stayed relatively consistent every year. The advertising activities were seasonal, i.e. they occurred between June/July until Program intake deadline, which was usually around end of October/November each year. The Program was advertised in industry magazines (e.g. Orchard and Vine, Country Life and BC Tree Fruit), BCFGa's newsletter, and on BCFGa's website.</li> <li>- <u>From the perspective of BCFGa, marketing materials being sent out did not require pre-approval by the Ministry as these materials were considered</u></li> </ul>

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			<p>any signage, posters, exhibits, pamphlets, brochures, advertising, websites, forms for use by Participants, or other publications produced by BCFGA and related to the Services, in terms satisfactory to the Province <i>(source: GSA #GS21AGR06 5 Schedule I bullet #3, #GS20AGR06 4 Schedule H bullet #3)</i>.</p> <p>BCFGA shall ensure that the communications protocol BC IAF may establish from time to time is followed when making public announcement concerning the Program. All reports, publications, scientific papers, and other documents and public information released by BCFGA</p>	<p>contribution by the Province was acknowledged in the marketing materials;</p> <p>(ii) prior approval from the Province/IAF was obtained for advertisements;</p> <p>(iii) the activity was made available to the broader Tree Fruit Industry or targeted at selected individuals/organizations; and</p> <p>(iv) determine if the outreach and awareness activities were targeted at related/connected parties of BCFGA/IAF.</p>	<p><u>part of the communication plan and it had been the same advertisement year-on-year. Glen further informed us that he believed the marketing material was approved by AFF in the first couple of years of the Program, and hence, subsequently no approval was required.</u></p> <p>2) Based on the marketing and outreach information obtained in procedure 3.2e(2), selected 3 marketing activities (one from each publisher) for testing to determine if (i) financial contribution by the Province was acknowledged in the marketing materials; (ii) prior approval from the Province/IAF was obtained for advertisements; (iii) the activity was made available to the broader Tree Fruit Industry or targeted at selected individuals/organizations; and (iv) if the outreach and awareness activities were targeted at related/connected parties of BCFGA/IAF.</p> <p>For the selected samples, we noted the following:</p> <ul style="list-style-type: none"> <li>- <u>Approval from the Province/IAF was not obtained.</u> See step (1) above for details.</li> <li>- <u>For 1 out of 3 selected marketing materials, we were not able to complete testing due to inaccessibility to BCFGA's Friday File and time constraint of fieldwork.</u></li> </ul>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
			regarding the Program shall indicate and acknowledge in a form satisfactory to BC IAF, that the Program is being funded entirely or in part, as applicable, with funds from the Province as part of the Program, together with any other information BC IAF reasonably requests <i>(source: Funding Agreement between IAF and BCFGA, section 25 &amp; 26)</i>		
	j. Can demonstrate the absence of any perceived, potential, or actual conflict of interest in administering the Program.	Perceived, potential or actual conflict of interest may not be declared or managed appropriately by those administering the Program.	Anyone who is managing public resources must do so with the utmost integrity <i>(source: GMGGT – basic principles).</i>	Obtain an understanding of how perceived, potential, or actual conflict of interest in administering the Program are identified, handled, and documented.	<p>Inquired of Glen Lucas (General Manager, BCFGA) and we were informed of the following:</p> <ul style="list-style-type: none"> <li>- Review committee members signed a formal written agreement (i.e. the “conflict of interest statement” or “confidentiality statement”) acknowledging their understanding of conflict of interest and confidentiality in their roles. As committee members leave and were replaced, the new committee members signed a confidentiality statement to acknowledge their understanding of conflict of interest and confidentiality in their roles.</li> <li>- If a committee member was perceived to benefit from the approval of a project directly, the committee member would</li> </ul>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					<p>declare their conflict of interest and not score the project during the Review Committee meeting. The committee member did not leave the meeting due to the volume of applications that needed to be scored.</p> <p>Obtained a list of Review Committee members for the grower's replant years 2015 to 2021 (the "Review Committee member listing") from Glen Lucas. We attempted to cross check this Review Committee member listing to the Project Review Committee Terms of Reference (PRC TOR) for completeness. However, KPMG was only provided the PRC TOR for the grower's replant years 2016 and 2017, and <u>was not able to cross check the completeness of Review Committee members listing for the grower's replant years 2015 and 2018 to 2021.</u></p> <p>For the 2 grower's replant years, 2016 and 2017, inspected the PRC TOR and noted the following:</p> <ul style="list-style-type: none"> <li>- PRC TOR contained sections on conflict of interest, and disclosure and compliance measures around conflict of interest.</li> <li>- Each PRC member was required to sign the TOR to acknowledge that they read, understood and agreed to abide to the PRC TOR.</li> <li>- <u>Although the signing dates of the PRC TOR / confidentiality statements were different for 2016 and 2017, the content of the document referred to the same TFRP fiscal year (i.e. 2016/17).</u></li> <li>- For the 2016 PRC TOR, <u>noted there were 2 non-voting members who were listed on the PRC TOR but were not included the Review Committee member listing provided by Glen Lucas. Further noted 3 non-voting PRC members did not sign the 2016 PRC TOR/confidentiality statement.</u></li> <li>- For the 2016 PRC TOR, noted <u>there were 2 non-voting members who were</u></li> </ul>

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					<p><u>listed on the PRC TOR but not included the Review Committee member listing provided by Glen Lucas. Further noted that 1 voting and 3 non-voting PRC members did not sign the 2017 PRC TOR/ confidentiality statement.</u></p> <p><u>We inquired of Glen Lucas and were informed that for Review Committee members who did not sign a confidentiality statement, it was assumed these members would be bound by (i) their existing conflict of interest statement (if one was signed in previous years); (ii) BC Institute of Agrologists (BCIA) ethics requirements for Review Committee members who are also members of BCIA; or (iii) employment contracts for Review Committee members who are staff of the government or BCFGA.</u></p> <p><u>Through inspection of the Review Committee member listing, we noted 5 new committee members for the replant years 2020 and 2021. However, we were not provided signed confidentiality statements for these individuals. Further, through interviews with 2 out of these 5 new committee members, we were informed that they were not aware of any formal definition of conflict of interest, and they were not required to sign any formal document acknowledging their understanding of conflict of interest and confidentiality in their roles.</u></p> <p><u>Through inspection of the 2016 and 2018 project evaluation scoring sheets, and the ROD dated January 2021, noted documentation of Review Committee members' conflict of interest was minimal and not consistently documented (i.e. sometimes there was no documentation of conflict of interest even though a committee member did not score an application). We were not able to determine the extent of documentation over Review Committee members' conflict of interest for Review Committee meetings that took place in FY2014/2015, FY2016/2017, FY2018/2019 and</u></p>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					FY2019/2020 as relevant documentation was not provided to KPMG for assessment purposes.
	<p>k. Maintains the policy and procedural requirements set out in the "2021 Tree Fruit Replant Requirements" and "2021 Replant Policies" documents.</p> <p>Review/audit a sample of approved/completed replant applications over last seven-years to ensure:</p> <p>i. Trees have remained in ground for the required five-year period,</p> <p>ii. Project changes were considered and approved/declined as per Policy</p> <p>iii. AAFC Intellectual Property Rights have been strictly adhered to</p> <p>1. Royalty's paid on all protected varieties,</p> <p>2. Funding only provided to applicants who</p>	<p>Funding may be approved for applicants who did not comply with all the TFRP requirements/policies.</p> <p>There may be a lack of or insufficient monitoring of the project (including monitoring of stipulations) once funding is provided.</p>	<p>Stipulations must be met after a government transfer is provided and recipients must meet the stipulations of the government transfer in order to keep the transfer (source: CPPM 21.3.3.4b).</p> <p>There is ongoing monitoring against stipulations to determine whether performance has been achieved and whether or not recipient is able to retain the transfer (source: GMGGT).</p>	<p>1. Obtain and inspect a copy of the "2021 Tree Fruit Replant Requirements" and "2021 Replant Policies".</p> <p>2. For an ad-hoc sample of approved/completed replant application over the last 7 years, perform inquiry and inspection of relevant supporting documents to determine the following:</p> <ul style="list-style-type: none"> <li>- Trees have remained in ground for the required five-year period;</li> <li>- Project changes were considered and approved/declined as per Policy;</li> <li>- AAFC Intellectual Property Rights have been strictly adhered to, including: <ul style="list-style-type: none"> <li>- Royalty's paid on all protected varieties prior to payment recommendation s to the Ministry;</li> <li>- Funding only provided to applicants who purchased plants</li> </ul> </li> </ul>	<p>1) Obtained from Glen Lucas (General Manager, BCFGA) the "2021 Tree Fruit Replant Requirements" and "2021 Replant Policies". Refer to procedure 3.2(g) for inspection results.</p> <p>2) Based on the TFRP application listing obtained from AFF in procedure 2.1 (2), selected 25 applications over 6 replant years from FY2015/2016 to FY2020/2021. Due to the data limitations described in procedure 2.1 (2), applications were not selected for FY2014/2015.</p> <p>For the selected 25 applications, obtained and inspected the application package from Adrian Arts (Industry Specialist – Tree Fruit/Grapes, AFF) to determine (i) if trees remained in ground for the required five-year period; (ii) project changes were considered and approved/declined as per Policy; (iii) AAFC Intellectual Property Rights were strictly adhered to, including: (a) royalty's paid on all protected varieties prior to payment recommendations to the Ministry; (b) funding only provided to applicants who purchased plants from an authorized nursery; and (c) grower agreements signed for protected varieties prior to payment recommendation to the Ministry.</p> <p>Through inspection of selected application documentation and inquiry of Glen Lucas (General Manager, BCFGA), we were informed of and noted the following:</p> <ul style="list-style-type: none"> <li>- <u>The Program administrator did not implement any monitoring procedures to assure compliance with the terms and conditions of the replant Program, including whether replanted trees remained in ground for the required five-year period. Due to lack of monitoring procedures, we were not able to determine whether replanted trees remained in the ground for the required five-year period for selected</u></li> </ul>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
	<p>purchased plants from an authorized nursery,</p> <p>3. Grower agreements signed for protected varieties prior to payment.</p>			<p>from an authorized nursery; and</p> <ul style="list-style-type: none"> <li>- Grower agreements signed for protected varieties prior to payment recommendation to the Ministry.</li> </ul>	<p><u>applications.</u></p> <ul style="list-style-type: none"> <li>- <u>For 17 out of 25 selected applications, we could not conclude whether those applications were approved by the Review Committee because no supporting documentation was provided for inspection. For 8 out of the 25 selected applications, we noted some form of review/approval evidence through scoring sheets, but noted 1 out of the 8 applications did not adequately include an overall conclusion in the scoring sheet even though an average score was provided.</u></li> <li>- <u>Although the replant Program policies and requirements required the use certified budwood whenever possible and tree purchase orders were included in the application package, there was no requirement for the applicant to provide proof that the trees replanted in the ground were purchased from an authorized nursery. For 8 out of 25 selected applications that involved replanting a protected variety, we could not determine whether funding had been provided to applicants who purchased plants from an authorized nursery due to lack of documentation to evidence proof of purchase. Although some applications included a copy of a purchase order from an authorized nursery, none of the selected applications provided evidence of tree delivery and/or payment.</u></li> <li>- <u>The replant Program did not require applicants to provide proof of royalties payment until March 1, 2016 (policy #4) and to have a signed SVC Grower Agreement until October 24, 2018 (policy #10). Policy #4 required that an applicant provided proof of royalties payment for protected varieties but did not include definition of a protected variety nor a list of protected varieties. Policy #10 required an applicant to have a signed SVC Grower Agreement but did not require a copy of this agreement or other evidence to be</u></li> </ul>



Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					<p><u>submitted to the program administrator. Out of 25 selected applications, noted 5 applications were subject to policy #4 but did not note any evidence of royalties payment, and 1 application was subject to policy #10 but did not note evidence of a signed SVC Grower Agreement.</u></p> <p>KPMG inspected the appeal documentation for 3 out of 8 appeal cases that occurred during the 7-year period, and noted the following:</p> <ul style="list-style-type: none"> <li>- No exceptions were noted for 2 out of 3 selected appeal cases. The appeals were brought forward to the appeal committees for discussion and review.</li> <li>- For 1 out of 3 selected appeal cases, the Appeal Committee Coordinator did not bring this case forward to the Appeal Committee for review because based on their onsite inspection, it was noted that the incorrect rootstock invoice was included in the application and the application should have been approved if it was based on the correct invoice. No exceptions noted.</li> </ul>
3.3	Draft report outlining the findings of Component 3.	Not Applicable	Not Applicable	Draft an Interim Report outlining procedures and results detailed in component 3.	Procedures and results are documented in this report.
<b>Component 4: Future Replant Requirements</b>					
4.1	<p>Identify the current needs of the tree fruit industry and the potential role for a renewed replant program to address these needs, through:</p> <p>a. Interviews with key stakeholders.</p>	The TFRP may not be adequately set up to address the current needs of the tree fruit industry.	Maintain, grow and/or expand the capacity, market share and/or competitiveness of the BC tree fruit industry (source: GSA #GS21AGR06 5, #GS20AGR06 4 & #GS15AGR-	Conduct interviews with key stakeholders identified by AFF to understand the current needs of the tree fruit industry, the potential role for a renewed replant program to address these needs, and key characteristics of the TFRP contributing to the Program's success or risks/challenges.	<p>Interviewed 32 interviewees including program administrators, Program participants and non-Program participants and noted a varying degree of perspectives on the needs of the tree fruit industry and the potential role for a renewed replant program.</p> <p><u>Needs of the Tree Fruit Industry</u></p> <p>Through interviews, noted the following themes (i.e. where 3 or more interviewees agreed) with respect to the needs of the tree fruit industry:</p> <ul style="list-style-type: none"> <li>- Financial assistance to deal with the rising costs of growing tree fruits.</li> </ul>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
			<p>121 – Schedule A, Part 2, Outcomes).</p> <p>Resources should be used effectively, economically, and without waste, with due regard for the total costs and benefits of the arrangement, and its contribution to the outcomes the ministry is trying to achieve (source: GMGGT – basic principles).</p>		<ul style="list-style-type: none"> <li>- A plan to replant, including the variety to replant, the rationale for replant to avoid over-planting, and a plan to market the replanted variety. Interviewees indicated that it had been a struggle for growers to determine what variety to replant, especially once Ambrosia is not competitive anymore.</li> <li>- Cohesion and leadership for an organized approach in recommending what varieties to grow and where. Interviewees indicated that the industry is currently disjointed, creating challenges in implementing a long-term strategic plan.</li> <li>- Better quality fruits. This was attributed to the need for more grower education and an increase in grower skill level. In addition, interviewees indicated that competitors had clarity on their quality marks and markets.</li> <li>- A more holistic approach for the industry to succeed and the replant Program should be viewed as part of it. While interviewees agreed that the TFRP had been beneficial to the industry, interviewees indicated that the industry is currently facing broader challenges (i.e. rising costs, inaccessibility to new varieties from around the world, price competition, etc.) which are beyond the replant Program.</li> </ul> <p><u>Potential Role for a Renewed Replant Program</u></p> <p>In relation to the needs of the industry, we noted through interviewees the following themes (i.e. where 3 or more interviewees agreed) with respect to the potential role for a renewed replant program:</p> <ul style="list-style-type: none"> <li>- Continue to provide financial support through ongoing funding that reflects inflating costs.</li> <li>- Provide horticulture extension services as part of the program.</li> </ul>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					<ul style="list-style-type: none"> <li>- Have a replant marketing plan to avoid over-planting.</li> <li>- Introduction of a new variety with better than existing quality, and an associating marketing plan.</li> <li>- Help open new markets.</li> <li>- Support local niche markets, including a focus on new entrants or small growers.</li> </ul> <p><u>Key Characteristics of the TFRP</u></p> <p>Through interviews, we noted that a majority of the interviewees agreed that the Program encouraged renewal and/or modernization of orchards, which allowed growers to stay competitive. For example, the Program encouraged planting profitable varieties in a virus free and well-spaced orchard. In addition, some interviewees commented that the easy and straight forward application process attributed to the success of the Program.</p> <p>KPMG also noted through interviews, the following themes (i.e. where 3 or more interviewees agreed) with respect to key characteristics of the TFRP which contributed to the Program's challenges/risks:</p> <ul style="list-style-type: none"> <li>- The Program is not equitable or targeted towards good growers. For example, the Program does not recognize niche markets (e.g. organics) from commercial markets, and provides the same level of funding to apple and cherry growers even though growing apples is more expensive. The Program also does not differentiate "good" growers from "bad" growers, and interviewees indicated there are some growers who are not "good" or serious about growing.</li> <li>- The Program's eligibility requirements around replanting on existing productive land, and replanting on land greater than 1 acre or less than 10 acres created challenges for growers,</li> </ul>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					<p>especially new or smaller growers who may be more financially strained.</p> <ul style="list-style-type: none"> <li>- As replant is a long-term decision, growers indicated that the uncertainty in ongoing funding from TFRP created challenges when growers were deciding whether or not to replant. For example, a replant takes 3-5 years before a tree bears fruit. During this time, growers often do not have cash inflow from the replanted land. Funding from TFRP helps alleviate some of the financial strain experienced by growers during this time, and is factored into a grower's cashflow projections at the time of replant planning. However, if funding is uncertain at the time of replant planning, it creates challenges for growers when developing their cashflow projections.</li> <li>- The Program did not keep track of recurring applicants and their past performances. For example, the same applicant may apply to the TFRP, but the results of their past replant applications were not considered as part of their current application.</li> <li>- The Program lacks a strategic long-term plan for replant.</li> </ul>
	b. Review of government and industry authored analyses of the TFRP Program.	The TFRP may not be adequately set up to address the current needs of the tree fruit industry.	Maintain, grow and/or expand the capacity, market share and/or competitiveness of the BC tree fruit industry (source: GSA #GS21AGR06 5, #GS20AGR06 4 & #GS15AGR-121 – Schedule A, Part 2, Outcomes).	<ol style="list-style-type: none"> <li>1) Obtain and inspect government and industry authored analysis of the TFRP program to understand the current needs of the tree fruit industry and the potential role for a renewed replant program to address those needs.</li> <li>2) Identify existing agriculture (tree fruit) replant,</li> </ol>	<ol style="list-style-type: none"> <li>1) Obtained 13 government and industry authored analyses published between 2009 to 2021 from Adrian Arts (Industry Specialist – Tree Fruit/Grapes, AFF). Through inspection, identified tree fruit industry needs from 9 industry analyses published in the recent 7-year period between 2015 to 2021, and categorized these needs into 4 main categories, i.e. communication, planning (includes individual orchard planning and broader industry planning), packaging &amp; storage, and sales &amp; marketing. Refer to Appendix 5 – Current Tree Fruit Industry Needs for detail listing of the tree fruit industry needs identified.</li> </ol> <p>Through inspection of the industry analyses, <u>we noted the current tree fruit industry needs are beyond those that a</u></p>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
			<p>TFRP has a reliable, streamlined, effective high-quality administrative program delivering the maximum number of tree replants with available annual funding (<i>source: GSA #GS15AGR-121</i>).</p> <p>Resources should be used effectively, economically, and without waste, with due regard for the total costs and benefits of the arrangement, and its contribution to the outcomes the ministry is trying to achieve (<i>source: GMGGT – basic principles</i>).</p>	<p>renewal, or revitalization programs in other jurisdictions.</p> <p>3) For identified programs in other jurisdictions, obtain and inspect published articles (e.g., programs' websites, news, etc.) to understand the potential role for a renewed replant program in BC;</p> <p>4) Compare and analyze the key characteristics of TFRP against other identified programs to determine key characteristics of a continued TFRP or a potential new form of a replant-renewal program.</p>	<p><u>replant program can address.</u> For the purposes of identifying the potential role for a renewed replant program, we focused on the current tree fruit industry needs that relate to communication and individual orchard planning. As a result, we identified 2 key areas that a replant program can potentially position itself in or strengthen: (i) grower education &amp; communication; and (ii) application eligibility &amp; review. Detailed in Appendix 6 – Potential Roles of a Renewed Replant Program are examples of activities falling in these 2 key areas that may help address the current tree fruit industry needs relating to communication and individual orchard planning.</p> <p>2 &amp; 3) Through online searches and inquiry of Adrian Arts (Industry Specialist – Tree Fruit/Grapes, AFF), we identified 16 agriculture programs and initiatives spanning across 6 jurisdictions. Of which, we identified 7 programs spanning across Nova Scotia, Ontario, New Brunswick, Quebec, and the United States which related specifically to tree fruit replant initiatives.</p> <p>4) Out of the 7 programs identified in step 2 &amp; 3 above, we noted only 4 programs that were comparable to the BC TFRP and where sufficient information was available online for comparison purposes. We compared key program characteristics of the BC TFRP against Nova Scotia's Apple Industry Growth and Efficiency Program, New Brunswick's Apple Industry Development Program, Quebec's Financial Assistance for Replanting Apple Orchards and Quebec's Apple Orchard Modernization Program. From this analysis, we identified 16 key characteristics related to eligibility criteria, application requirement, application review, funding and compliance/monitoring that can be considered for purposes of a continued TFRP or a potential new form of a replant-renewal program. Refer to Appendix 7 – Potential Key Characteristics of a Continued TFRP for a listing of these key</p>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					characteristics.
4.2	Identify the risks or challenges that could impact the success of a continued TFRP or some other form of replant-renewal program success (e.g.: availability of suitable land, suitable cultivars, fruit quality standards, and packing-processing capacity for tree fruits and current/future market demand).	The TFRP may not be adequately set up to address the future needs of the tree fruit industry.	<p>Maintain, grow and/or expand the capacity, market share and/or competitiveness of the BC tree fruit industry (source: GSA #GS21AGR06 5, #GS20AGR06 4 &amp; #GS15AGR-121 – Schedule A, Part 2, Outcomes).</p> <p>Resources should be used effectively, economically, and without waste, with due regard for the total costs and benefits of the arrangement, and its contribution to the outcomes the ministry is trying to achieve (source: GMGGT – basic principles).</p>	Through interviews and inspection of relevant documents performed in procedure 4.1, identify any risks or challenges that could impact the success of a continued TFRP or some other form of replant-renewal program success.	<p>Through interviews and inspection of relevant documents performed in procedure 4.1, we noted that the tree fruit industry was / is facing various challenges, some of which are broader than those of replant. We further noted the following risks or challenges which may impede the success of a continued TFRP or some other form of replant-renewal program:</p> <ul style="list-style-type: none"> <li>- The <u>tree fruit industry is currently disjointed with a lack of cohesion and leadership</u>. As a result, there is no holistic approach for the industry to succeed in the long-term. There is a need for closer industry cooperation and communication through all stages of a tree fruit lifecycle, from strategy, planning, planting, packaging, storage, sales and marketing. A replant strategy should be a part of a long-term vision on how it would contribute to the success of the industry in the long-term.</li> <li>- <u>There is a varying degree of grower experience and skill set</u>, which may result in varying fruit quality standards, short-sightedness, over-planting, and poor financial management.</li> <li>- <u>Economic factors such as inflation, wage increase, availability of labour and rising land costs may impact growers' returns and create barriers for new entrants to the industry. This risk is compounded by the expected retirement of existing growers in the next decade with less new entrants expected to join the industry, potentially impacting tree fruit supply.</u> While growers indicated that the TFRP had provided some financial assistance, the funding amount did not change over the years to reflect rising costs.</li> <li>- The Program historically was designed to fund as many orchards as possible with the goal of modernizing and revitalizing orchards to newer planting</li> </ul>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					<p>systems and varieties. However, in doing so, <u>the Program did not materially differentiate between quality of growers, recognize smaller growers (i.e. growers with less than 1 acre to replant), recognize growers who operated in niche markets (e.g. the organic markets), take into account inflating replant cost, and did not allow for innovation in identifying suitable land for replant despite limited land availability (e.g. the Program only funds orchards that had tree fruits removed in the previous 5 years).</u> If the Program continues without revisiting eligibility and evaluation requirements, the inequities of the Program may further widen over time, resulting in the Program funding growers of a particular size who may not necessarily possess strong skills in growing quality tree fruits or financially managing their orchards, and deterring growers who can optimize the funding efficiently and effectively.</p>
4.3	<p>Provide recommendations concerning a potential continued TFRP or some other form of replant-renewal program, including:</p> <ul style="list-style-type: none"> <li>a. Overarching program goals and criteria that would allow for sector-specific flexibility.</li> <li>b. Standardized criteria and an application review and inspection processes.</li> <li>c. Program administration</li> </ul>	Refer to above sections.	Refer to above sections.	<p>Based on the results of the procedure 1.1 to 4.2, provide recommendations concerning a potential continued TFRP or some other form of replant-renewal, in consideration of the following:</p> <ul style="list-style-type: none"> <li>- Overarching program goals and criteria that would allow for sector-specific flexibility.</li> <li>- Standardized criteria and an application review and inspection processes.</li> <li>- Program administration</li> </ul>	<p><b>Recommendations concerning a potential continued TFRP or some other form of replant-renewal:</b></p> <p>Based on the results of procedure 1.1 to 4.2, we recommend that a potential continued TFRP or some other form of replant-renewal not be considered in a silo, and instead form part of a holistic approach that takes into consideration the industry's needs, the industry's long-term vision and other government programs that support the industry.</p> <p>Development of the industry's long-term vision is a prerequisite in advancing the industry, and would require input from the key stakeholders within the industry. This may be achieved by having a professional facilitator meet with growers, packers, marketers and retailers to constructively explore what that shared vision would look like.</p> <p>Once a vision has been established, the role and goals for the program can be developed so they align with the</p>



Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
	framework which includes potential options for program delivery (i.e. Government 'in-house', third-party program administrator, industry association or organization)			framework which includes potential options for program delivery (i.e. Government 'in-house', Third-party program administrator, industry association or organization)	<p>industry's overall vision. The program goals should be defined both quantitatively and qualitatively. Examples of such goals include (but are not limited to) the following:</p> <ul style="list-style-type: none"> <li>- Increase market share by fostering cross-communication for the industry amongst growers, packers, marketers and retailers to better understand the market needs;</li> <li>- Provide support to new entrants to the industry and growers operating in niche markets; and</li> <li>- Increase production of high-quality yields by X% year-on-year by having defined industry quality marks and providing horticulture advice.</li> </ul> <p>In addition to establishing the goals, the program's eligibility criteria should be re-evaluated to reflect current circumstances of the industry. For example, criteria which prevent new entrants or smaller size growers to apply (e.g. minimum eligible acreage for a replant block of 1 acre or the applicant must have at least 5 acres in tree fruits) and criteria that impede innovation around what type of land to replant on (e.g. replant area must have had fruit trees removed in the previous 5 years) should be reassessed. The re-evaluation of the program criteria should be performed by agriculture specialists in consultation with key industry stakeholders, including growers and horticulturists.</p> <p>For eligibility criteria included in the program that are based on certification of the applicant or through the "honour system", we recommend that effective compliance monitoring procedures (including onsite inspections) be in place to assure that the program funded applicants comply with the program requirements and the trees remained in the ground for a period of time. These compliance monitoring procedures should be in addition to the existing on-site inspection that occurs after replant and</p>



Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					<p>before payment.</p> <p>Applications should also include a marketing plan detailing how the grower expects to market or sell its commodity after replant. This marketing plan should be reviewed by the Review Committee to assess long-term viability and sustainability of the replanted trees.</p> <p>Data points on the program, including data obtained during application in-take, inspection, payment and post-payment monitoring, should be centrally stored to allow for further monitoring and analysis. Ideally on at least an annual basis, this data should be analyzed and reviewed against qualitative data points to determine if the program's eligibility criteria, policies, requirements or processes require further revision. These data points can also be used by the Ministry to assess the value for money of the program over time.</p> <p>In determining the options for the program delivery, factors to consider include the following:</p> <ul style="list-style-type: none"> <li>- Cost of the framework;</li> <li>- Resources/skills required;</li> <li>- Technology required;</li> <li>- Openness and transparency of the administrator: administration of government funds requires transparency to support accountability and promote clarity. In addition, the program would require timely sharing of industry information and data points between the administrator and the Ministry for continuous monitoring of the program; and</li> <li>- Integrity of the administrator – anyone managing public funds must do so with the utmost integrity and in a lawful manner, this includes organizations administering public funds.</li> </ul> <p>In Appendix 8 – Comparative Characteristics of Program Delivery Options, we analyzed the above factors</p>

Ref	Objectives	What Can Go Wrong (WCGW)	Evaluation Criteria	Planned Procedures	Results
					against the different program delivery options. Based on this analysis, key differentiating factors between the various options are cost, openness and transparency, and integrity. As a replant program requires the administration of public funds, we recommend the program delivery option that the Ministry select have more weight placed on integrity, and openness and transparency, as these are the cornerstones of proper governance over public funds.
4.4	Draft report outlining findings of component 4	Not Applicable	Not Applicable	Draft a Report outlining procedures and results detailed in component 4	Procedures and results are documented in this report.
4.5	Final report outlining findings of components 1 through 4	Not Applicable	Not Applicable	Produce a Final Report outlining procedures and results detailed in components 1 through 4	Procedures and results are documented in this report.

## Appendix 2 – List of Interviewees

As part of the TFRP 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	Georgina Beyer	Director, Industry Development Unit, AFF	July 26, 2021
2	Arif Lalani	Assistant Deputy Minister, Agriculture Resource Division, AFF	July 26, 2021
3	Mark Raymond	Executive Director, Extension and Support Services Branch, AFF	July 26, 2021
4	Adrian Arts	Industry Specialist - Tree Fruit and Grapes, AFF	October 22, 2021
5	Glen Lucas	General Manager, BCFGA	October 12 & 14, 2021
6	Brenda Jordie	Former Member Services Coordinator, BCFGA	n/a – see note 1
7	Jim Campbell	Retired Tree Fruit Specialist (1990-2014)	October 13, 2021
8	Carl Withler	Retired Tree Fruit Specialist (2015-2020) and 2020 Replant Inspector	October 7, 2021
9	TJ Schur	Former Director AFF (responsible for replant program ~2014-2017)	October 8, 2021
10	Michelle Koski	Executive Director, IAF BC	n/a – see note 2
11	Sean Beirnes	General Manager, Summerland Varieties Corporation	October 5, 2021
12	Charlotte Leaming	Retired horticulturist, BC Tree Fruit Cooperative and Member of the TFRP Technical Advisory Committee	October 15, 2021
13	Mike Sanders	Retired district horticulturalist, AFF and Chair of the TFRP Appeal Committee	October 15, 2021
14	Sera Lean	Head of Field Service, Consolidated Fruit Packers (CFP), Replant Field Inspector 2017-2020	October 7, 2021
15	Molly Thurston	Orchardist, previous TFRP grant applicant and TFRP Technical Review Committee Member for 2020/21	October 15, 2021
16	David Geen	Orchardist, Owner of Jealous Fruits and previous TFRP grant applicant	October 12, 2021
17	David Machial	Orchardist, previous TFRP grant applicant	October 12, 2021
18	Steve Brown	Orchardist, BC Tree Fruits Cooperative (BCTF) President, previous TFRP grant applicant	October 8, 2021

Interview Count	Name(s)	Industry Role	Interview Date
19	Sam DiMaria	Orchardist, BCTF board member, previous TFRP grant applicant	October 14, 2021
20	Ravinder Pannu	Orchardist, previous TFRP grant applicant	n/a – see note 3
21	Dave Sandher	Orchardist, one of Canada's largest apples producers, previous TFRP grant applicant	October 20, 2021
22	Gurpreet Hehar <sup>Note 4</sup>	Orchardist, previous TFRP grant applicant	October 22, 2021
23	Balwinder Khun	Orchardist, previous TFRP grant applicant	October 18, 2021
24	Danny Turner	Orchardist, Creston	October 7, 2021
25	Talwinder Bassi	Orchardist, BCFGA Director, previous TFRP grant applicant	October 13, 2021
26	Sukhdev (Sunny) Lasser	Orchardist, previous TFRP grant applicant	n/a – see note 5
27	Jeet Dukhia	Orchardist, VP BCFG, previous TFRP grant applicant	October 5, 2021
28	Steve Day	Orchardist, Kelowna (apple, pear grower)	November 5, 2021
29	Annie Beulah	Orchardist, Summerland	October 20, 2021
30	Thomas Forge	AAFC researcher	October 5, 2021
31	Jesse MacDonald	AAFC knowledge and technology transfer specialist (focus on tree fruit)	October 8, 2021
32	Steve Richards	Orchardist, Kelowna (Summerland apple grower)	October 20, 2021

Note 1: KPMG was informed on September 27, 2021 by Glen Lucas that Brenda Jorge was no longer an employee of BCFG. KPMG further contacted Brenda Jorge on October 1, 2021 and was informed by Brenda that her last day with BCFG was on September 21, 2021 and due to legal reasons, she is not able to participate in this program assessment.

Note 2: KPMG was informed by the AFF to remove Michelle Koski from the interview list on September 28, 2021.

Note 3: Interviewee requested to respond to a list of questions in lieu of an interview. However, no response was received by the interviewee as of fieldwork completion date.

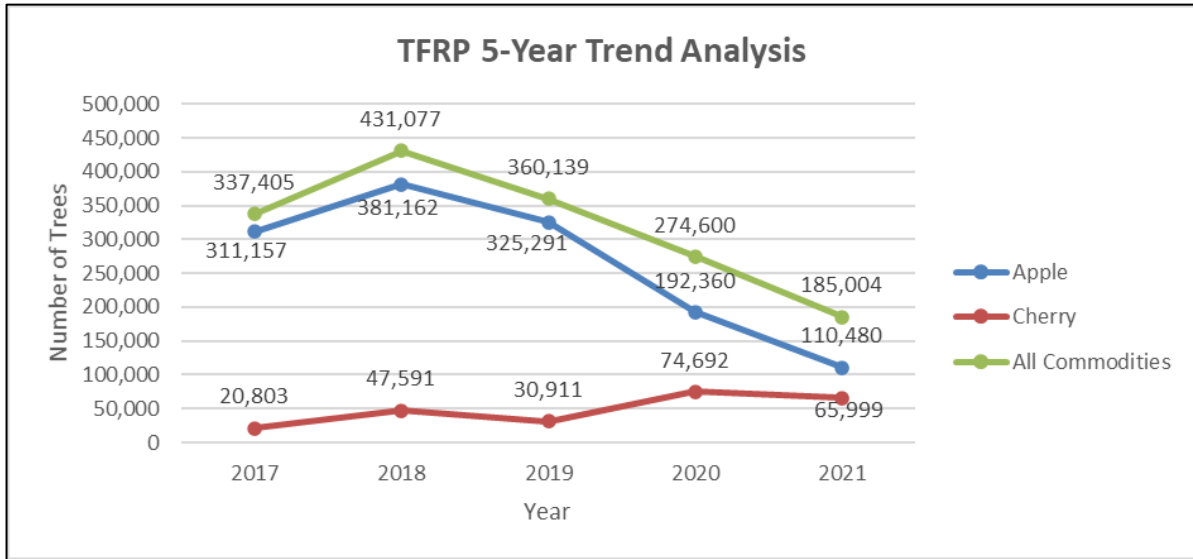
Note 4: Originally, the selected interviewee was Narinderpal Hehar. However, Narinderpal suggested we interview his son, Gurpreet Hehar instead. This change in interviewee was communicated and agreed with AFF on October 19, 2021.

Note 5: Interviewee requested to respond to a list of questions in lieu of an interview. Responses to questions were received on October 22, 2021 and November 9, 2021.

### Appendix 3 – Tree Fruit Replant Program Trend Analysis

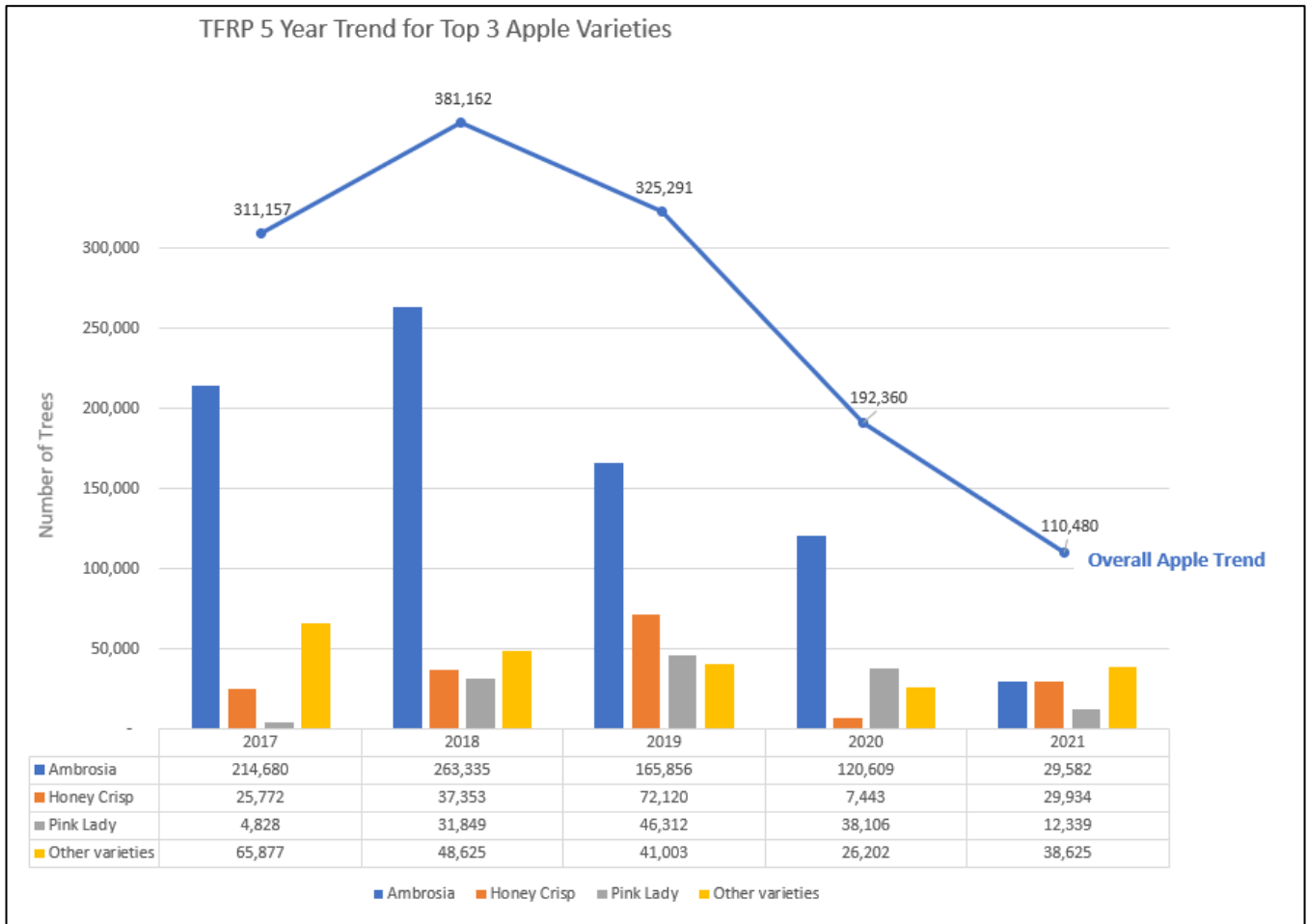
Analysis on the extent of replant activities was performed based on the number of trees approved for payment under the TFRP. Due to data limitations, analysis was conducted only for a 5-year period from FY2016/2017 to FY2020/2021.

**Chart 1: TFRP 5-Year Trend Analysis**



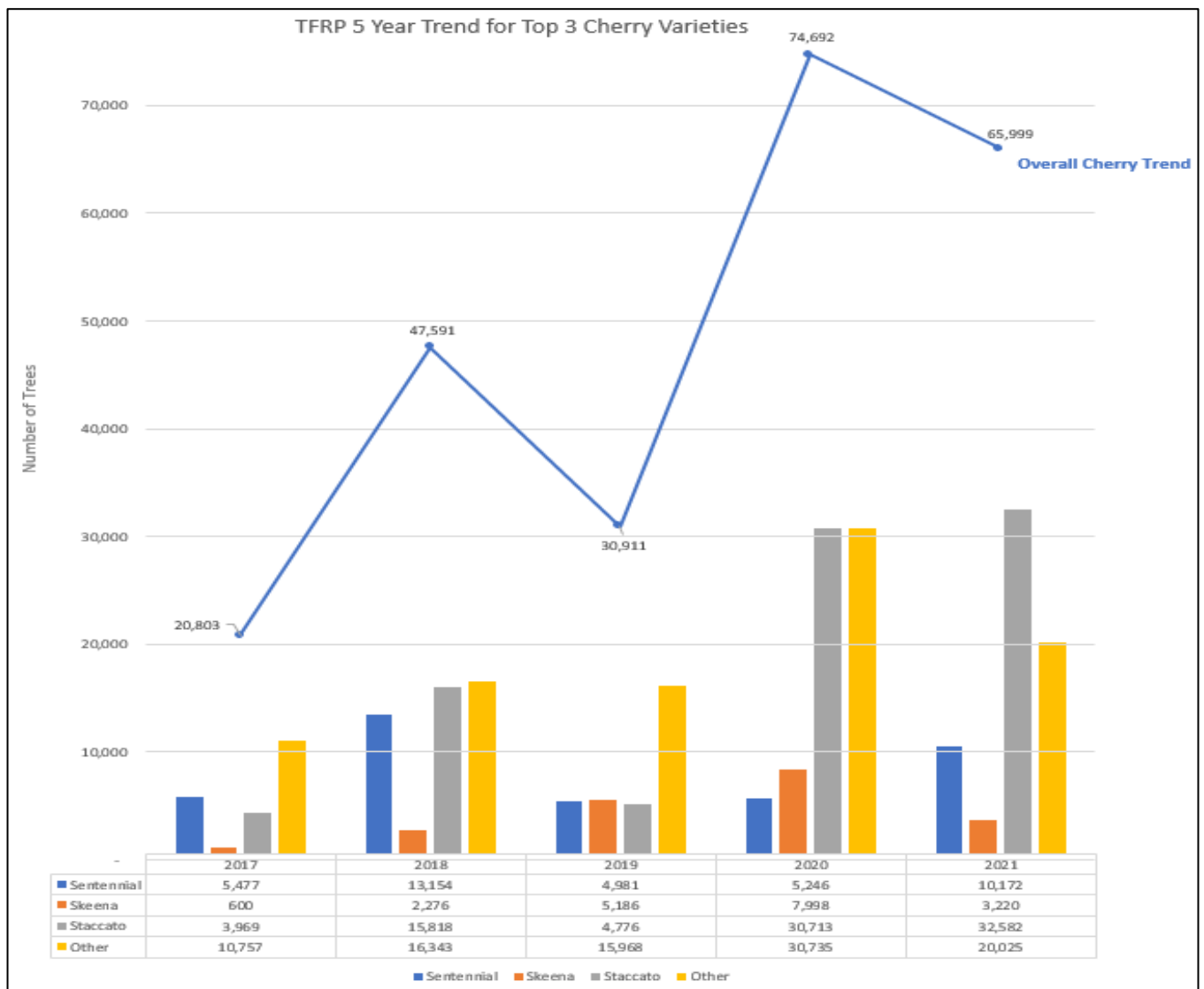
The number of trees approved for payment as part of TFRP increased from 337,405 trees in FY2016/2017 to 431,077 trees in FY2017/2018. From FY2017/2018 onwards, the number of trees approved for payment experienced a declining trend, with the lowest number of trees approved for payment in FY2020/2021, at 185,004 trees.

**Chart 2: TFRP 5-Year Trend for Top 3 Apple Varieties**



Apple trees attributed to 83% of all trees approved for payment under the TFRP. The number of apple trees approved for payment increased from 311,157 trees in FY2016/2017 to 381,162 trees in FY2017/2018. From FY2017/2018 onwards, there was a declining trend in the number of apple trees approved for payment (particularly for the Ambrosia variety), with the lowest number of trees approved for payment in FY2020/2021, at 110,480 trees.

**Chart 3: TFRP 5-Year Trend for Top 3 Cherry Varieties**



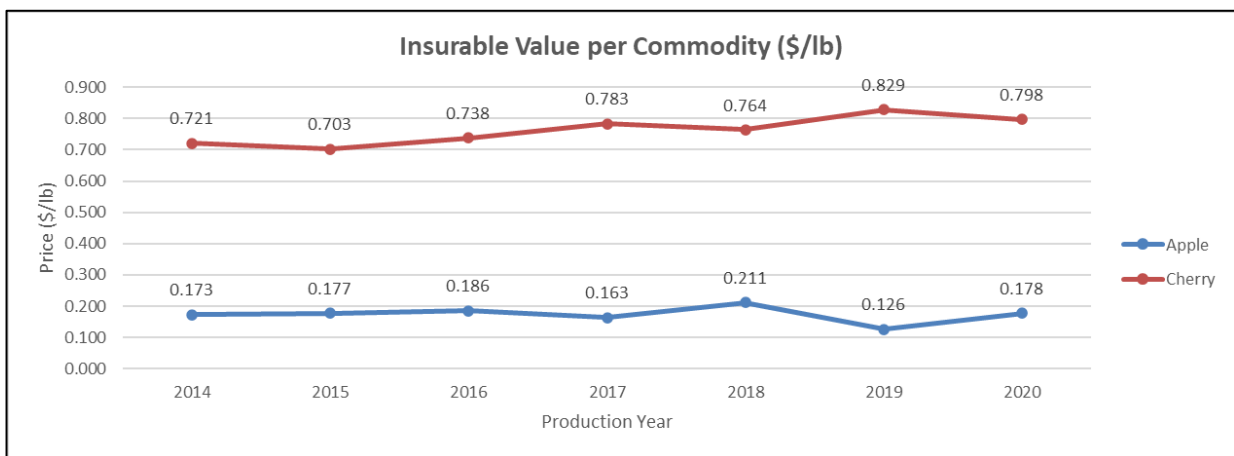
Cherry trees attributed to 15% of all trees approved for payment under the TFRP. The number of cherry trees approved for payment generally increased over the 5-year period, with significant year-on-year increases in FY2017/2018 and FY2019/2020 (particularly the Staccato variety).

## Appendix 4 – Industry Trend Analysis

KPMG analyzed industry insurable values and production data for selected apple and cherry varieties. This industry data was collected by AFF for purposes other than evaluating TFRP. Hence, the data points served as a proxy in evaluating it against the TFRP. Specifically, the following limitations were noted:

- Insurable values were used in this analysis as a proxy to the market price of the commodity. Insurable values were calculated by AFF for purposes of calculating indemnity.
- Production data referred to the total yield (in lbs) of a particular commodity for that specific production year. As it is our understanding that a replanted tree takes approximately 3-5 years before it bears fruit, the production data is likely a better indication of what was replanted 3-5 years ago rather than of what was replanted in the same production year.
- Multiple factors could impact a commodity's pricing and yield, including horticulture practices and environmental factors such as extreme weather events. Although we were informed that there were extreme weather events (e.g. heat wave) in the past couple of years which impacted the commodities' pricing and yield, the extent of such impact was not specifically carved out in the analyses below.

**Chart 1: Insurable Value per Commodity**

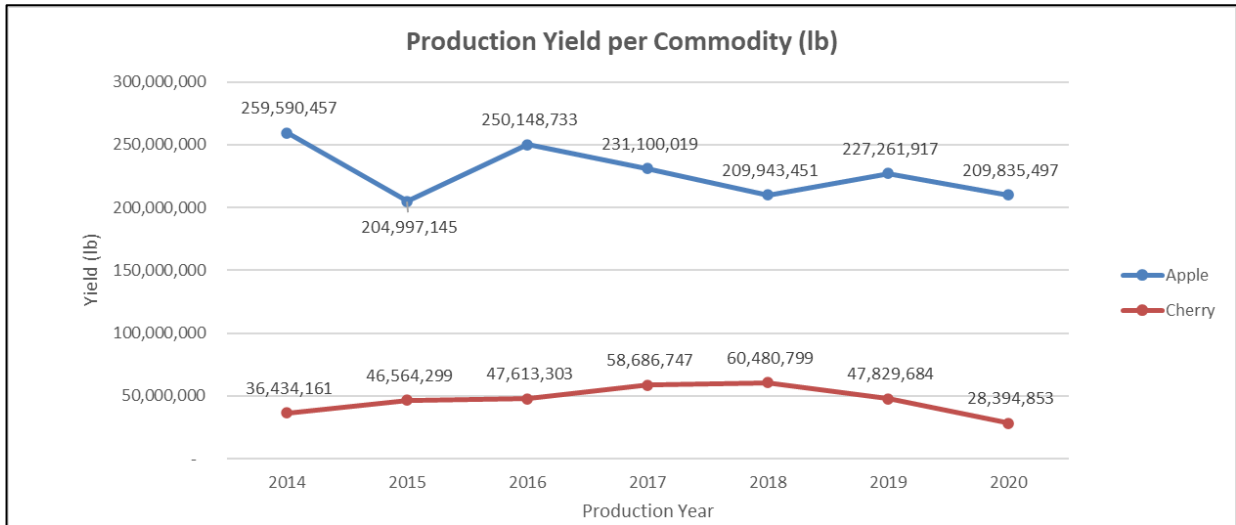


The decrease in the \$/lb for apples between 2018 to 2019 was aligned with decreases in the number of apple trees approved for payment under TFRP between FY2017/2018 to FY2019/2020 (refer to Appendix 3 – Tree Fruit Replant Program Trend Analysis for details).

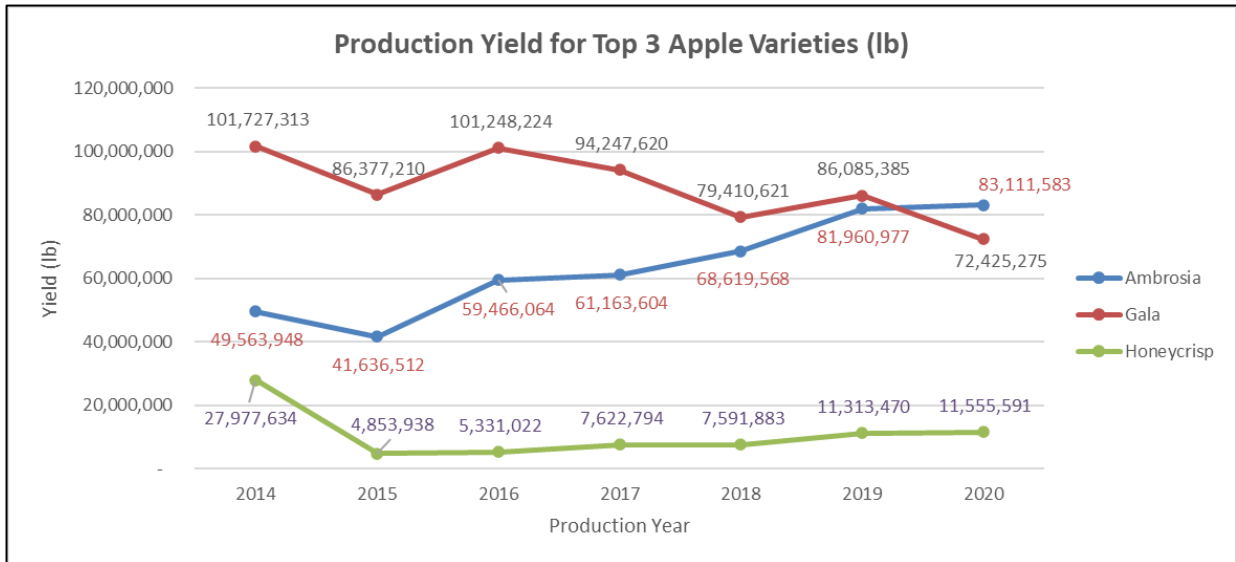
The upward trend in \$/lb for cherries was aligned with the general increase in number of cherry trees approved for payment under TFRP. In addition, when \$/lb was highest in 2019 for cherries, FY2019/2020 was also the year with the highest number of cherry trees approved for payment under TFRP (refer to Appendix 3 – Tree Fruit Replant Program Trend Analysis for details).



**Chart 2: Production Yield per Commodity**

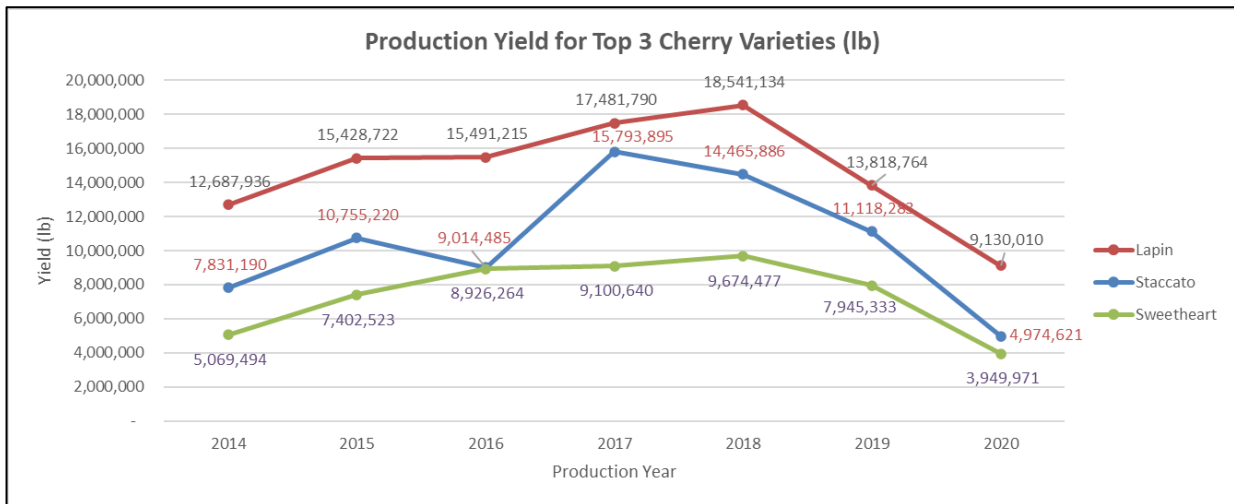


**Chart 3: Production Yield for Top 3 Apple Varieties**



Production of Ambrosia and Honeycrisp apples increased over the past 6 years, with the most yield in 2020.

**Chart 4: Production Yield for Top 3 Cherry Varieties**



Cherry production for Lapin, Staccato and Sweetheart varieties were on a declining trend over the past 3 years, with the least production in 2020.

## Appendix 5 – Current Tree Fruit Industry Needs

Based on inspection of 9 industry analyses (listed below) published in the recent 7-year period between 2015 to 2021, we noted the following current tree fruit industry needs:



### Industry Analyses / Reports:

1. Agriculture and Agri-Food Canada, *Review of Canadian Apple Market & Trends*, August 3, 2021
2. Apple Time Inc., *Building the Tree Fruit Nursery Capacity*, 2015
3. BC Tree Fruits Cooperative and Summerland Varieties Corp., *Steps to Success in Replanting*, revised 2015
4. Cascadia Capital LLC, *Washington Tree Fruit Industry Market Trends & Analysis*, 2020
5. Globalwise Inc. & Belrose Inc., *Assessment of B.C. Apple & Sweet Cherry Varieties*, March 12, 2015
6. Globalwise Inc. & Belrose Inc., *B.C. Ambrosia Marketing*, December 20, 2016
7. Globalwise Inc. & Belrose Inc., *BC Tree Fruits Industry Competitiveness Fund*, November 20, 2018
8. Globalwise Inc., Belrose Inc. & Postharvest Quality Consultants LLC, *Assessment of B.C. Stone Fruit & Pear Varieties*, March 23, 2015
9. Pest Management Program Agriculture and Agri-Food Canada, *Crop Profile for Apple in Canada*, 2019

## Appendix 6 – Potential Roles of a Renewed Replant Program

Grower Education & Communication	Application Eligibility & Review
<ul style="list-style-type: none"> <li>• Provide horticultural advice/education to growers to share better practices and help increase yields and packouts, including better practices around the following:               <ul style="list-style-type: none"> <li>➤ pest management; and</li> <li>➤ risk mitigant strategies/practices to protect crops from extreme weather conditions.</li> </ul> <p>To incentivize and promote these better grower practices amongst the industry, consider setting up a program that recognizes top performing growers (e.g. top 40 BC grower recognition programs).</p> </li> <li>• Convene a meeting for growers interested in participating the program with speakers from retailers, industry participants (e.g. BCTFC, SVC, nurseries, horticulturists) to discuss retailer and consumer trends, need for scale in marketing effort, the pros and cons of different varieties and review ranking of apple varieties.</li> <li>• Expand cross-communication and an unified vision for the industry amongst growers, packers, marketers and retailers. This can be achieve through the following:               <ul style="list-style-type: none"> <li>➤ Foster open communication and a shared vision for the future. For example, have a professional facilitator meet with growers, the cooperative board and management to address conflicts. Directly airing the issues and constructively exploring their resolution are prerequisites to advancing the industry.</li> <li>➤ Provide education to growers on how the industry can be more vertically integrated or unified to achieve premium varieties for commercial development. This education should be tied to a marketing strategy which emphasizes consumer research and forward market planning.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that program participants are qualified growers with a proven ability to grow high quality fruit with accepted markets. Growers that have demonstrated success in the replant program should be given preference. Less qualified growers participating in the Program need to show strong evidence that they are going to be improving their production base.</li> <li>• Provide guidelines in the Program that describes principal production areas identified to be most suited for growing certain varieties. If growers request for funding of other varieties, explanation and justification should be provided.</li> <li>• As part of application review, consider soil quality and pest management practices in place or planned to be in place.</li> <li>• Have a horticulture specialist review the grower's production plans and provide comments to the review committee for consideration.</li> </ul>

## Appendix 7 – Potential Key Characteristics of a Continued TFRP

#	Categorization	Key characteristics of identified comparable programs that can be considered for purposes of a continued TFRP or a potential new form of a replant-renewal program	Relevant Programs			
			Apple Industry Growth and Efficiency Program (Nova Scotia)	Apple Industry Development Program (New Brunswick)	Quebec Apple Orchard Modernization Program (Quebec)	Financial Assistance for Replanting Apple Orchards (Quebec)
1	Eligibility Criteria	Program funds replant of specific apple varieties or specifically states that certain apple varieties will not be funded.	X			X
2	Eligibility Criteria	Program focuses on certain size of growers	X			
3	Eligibility Criteria	Program focuses on growers who have an intention to maintain their property as a commercial orchard operation for a minimum period of ten years. (Note: the minimum period for the BC TFRP is 5 years).	X			
4	Eligibility Criteria	Requirement to include a 5 year planting plan that includes a description of the new varieties, rootstocks and trellis support system, and sources of new trees.		X		
5	Eligibility Criteria	Requirement to indicate the potential annual value or revenue that the new orchards and support systems will contribute to the growth or sustainability of the farm operation once they are established.		X		
6	Eligibility Criteria	Requirement to install effective wildlife deterrents in the year of planting at orchard locations with known or potential wildlife damage.		X		
7	Eligibility Criteria	Eligibility criteria includes a minimum density (i.e. trees per acre or hectare) for the replanted area.			X	X
8	Application Requirement	Requirement to describe the orchard planting site and indicate its suitability for tree fruit production, e.g. a history of the site and what crops were grown previously; a list of soil improvements; a current description of soil texture, nutrients and drainage; a list of treatments for soil replant disease if apple trees were grown on the site.		X		
9	Application Requirement	Requirement to include a grower/packer marketing letter of agreement, direct marketer's marketing plan for the purposes of industry's innovation, growth and profitability, or a short description that indicates how the fruit will be sold (retail/wholesale).	X	X		

#	Categorization	Key characteristics of identified comparable programs that can be considered for purposes of a continued TFRP or a potential new form of a replant-renewal program	Relevant Programs			
			Apple Industry Growth and Efficiency Program (Nova Scotia)	Apple Industry Development Program (New Brunswick)	Quebec Apple Orchard Modernization Program (Quebec)	Financial Assistance for Replanting Apple Orchards (Quebec)
10	Application Requirement	A harvesting/replanting plan developed or drawn up by a designated specialist and signed by the specialist and the applicant.			X	
11	Application Review	A steering or application review committee comprising of members who are packer representative, industry representative and grower representative.	X			
12	Funding	Excess funds remaining from the replant program are used to fund growers for Apple Storage Systems, Fruit Quality Assurance Technologies and Orchard Establishment Improvements (e.g. soil fumigation and in-field irrigation systems).		X		
13	Funding	Financial assistance is staged and provided at certain stages of the replant process. For example, financial assistance is first provided for tree removal and then for tree replanting.			X	
14	Funding	Applications/projects are funded based on acres replanted instead of number of trees.			X	X
15	Funding	New entrant growers are offered additional/increased financial assistance.		X		X
16	Compliance / Monitoring	Conduct multiple inspection for each stage of the replant process as well as an annual inspection.	X			

## Appendix 8 – Comparative Characteristics of Program Delivery Options

Government 'in-house'	Third-party program administrator
<b>Cost:</b> Compensation for respective resources administering the program	<b>Cost:</b> Fixed % of total project claims
<b>Resources/skills need:</b> Program administration, project management, data management and analysis, and accounting	<b>Resources/skills need:</b> Program administration, project management, data management and analysis, and accounting
<b>Technology required:</b> Application(s) to store, manage and analyze program records	<b>Technology required:</b> Application(s) to store, manage and analyze program records
<b>Openness and transparency:</b> Government staff are onboarded and trained with certain standards around openness and transparency.	<b>Openness and transparency:</b> Communication of expectation and on-going evaluation required of the third-party's openness and transparency
<b>Integrity:</b> Government staff are onboarded and trained with certain standards around integrity.	<b>Integrity:</b> Communication of expectation and on-going evaluation required of the third-party's integrity.