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DELIVERED BY EMAIL

Stephanie Nelson
General Manager
BC Broiler Hatching Egg Commission
180 – 32160 South Fraser Way
Abbotsford BC V2T 1W5

Geraldine Auston
General Manager
BC Hog Marketing Commission
PO Box 8000 – 280
Abbotsford BC V2S 6H1

Bill Vanderspek
General Manager
BC Chicken Marketing Board
101 – 32450 Simon Ave
Abbotsford BC V2T 4J2

Michel Benoit
General Manager
BC Turkey Marketing Board
106 – 19329 Enterprise Way
Surrey BC V3S 6J8

Dianne Driessen
General Manager
BC Cranberry Marketing Commission
PO Box 162 Station A
Abbotsford, BC V2T 6Z5

Bob Ingratta
Chief Executive Officer
BC Milk Marketing Board
200-32160 South Fraser Way
Abbotsford BC V2T 1W5

Al Sakalauskas
Executive Director
BC Egg Marketing Board
250 – 32160 South Fraser Way
Abbotsford BC V2T 1W5

Tom Demma
General Manager
BC Vegetable Marketing Commission
207 – 15252 32nd Av
Surrey BC V3S 0R7

Dear Colleagues:

FINANCIAL ACCOUNTABILITY

This letter is in follow-up to the general financial accountability discussion we had at the February 6, 2014 General Managers' meeting. The discussion arose from the recent [*Rainbow Poultry Ltd. et al v. BC Chicken Marketing Board*](#), December 18, 2013 decision which focused on financial accountability between the first instance regulator and the producer association. We also touched on the increasing complexity of the direct and indirect responsibilities of boards and commissions under the *Natural*

Products Marketing (BC) Act (NPMA) and schemes, with the consequential impact on managing funding through producer associations and other organizations in support of those responsibilities.

The intent of this letter is to reiterate the continued expectations of the BC Farm Industry Review Board (BCFIRB) that boards and commissions exercise and demonstrate (through annual reporting, audited financial statements and other appropriate tools), transparent and accountable financial management.

Financial accountability is a key part of good governance. It includes both:

- accounting practices that are in accordance with legislation, regulations, published standards, and stakeholder expectations of accountability and transparency; and,
- establishing and maintaining appropriate financial accountabilities with producer associations and other organizations that may receive funding from boards and commissions to carry out delegated responsibilities under the *NPMA* and the schemes.

Here are some of the examples of board and commission action on financial accountability.

The BC Chicken Marketing Board is currently modifying its process of approving funding for the BC Chicken Growers' Association in accordance with the *Rainbow* decision.

The BC Cranberry Marketing Commission, in discussion with BCFIRB, has recently reviewed its Agreement with the BC Cranberry Research Society (which supports the new cranberry research farm) to better define mandates, roles and responsibilities. They are also working to make all reporting from the Society to the Commission on use of Commission funds publically available. An extract from BCFIRB's "Supervisory Feedback and Expectations" sent to the Cranberry Commission is attached for information.

Note: Although the Cranberry Commission and the other two regulated boards are not required in their schemes to have auditors elected or appointed (i.e., approved) by registered growers, BCFIRB has advised the Commission that "cranberry growers should be fully cognizant of how their monies are managed and accounted for by the Commission". The schemes of the five supply managed boards do require that auditors are approved by their registered growers, not the boards. That is not to say that the boards cannot assist in the selection process but ultimately it is the growers that must be able to make an informed decision using SAFETI¹ principles.

Some boards have looked at formal agreements, including the BC Vegetable Marketing Commission using 'Research and Industry Development Agreements' with its associations to ensure that levy funds provided by the Vegetable Commission are properly accounted for. A sample agreement is attached for information.

The BC Broiler Hatching Egg Commission has recently done a complete and thorough review and revamping of its internal audit systems.

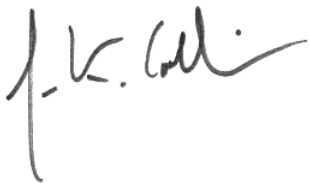
¹ Strategic, accountable, fair, effective, transparent, inclusive.

In other words, there is a lot of good work going on out there, including examples not mentioned here. I encourage boards and commissions to continue sharing information, best practices and ideas on financial accountability. We can all learn from each other.

While BCFIRB is not setting out additional supervisory expectations, I want to make sure you are aware that both the *Rainbow* decision and BCFIRB's "Supervisory Feedback and Expectations" to the Cranberry Commission provide a general framework for understanding some of BCFIRB's current outlook on financial accountability. In general, those expectations merely reflect good financial management and accountability practices for any governing agency.

If you have any questions, please feel free to contact me.

Yours truly,

A handwritten signature in black ink, appearing to read "J. K. Collins". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Jim Collins
Executive Director

Attachments

BCFIRB Supervisory Feedback and Expectations – August 20, 2013 (extract)
BC Vegetable Marketing Commission – Sample Research and Industry Development Agreement

cc: BCFIRB website