

Chapter 3

Department of Environment Environmental Trust Fund

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Department of Environment Environmental Trust Fund

Background

Introduction

3.1 The Environmental Trust Fund (ETF) was established in 1990 under the authority of the *Environmental Trust Fund Act* (the Act). The Department of Environment administers the Act, and the Department of Finance is the custodian of the fund.

3.2 The 2007-2008 annual report of the Department of Environment describes the fund this way:

The Environmental Trust Fund is a dedicated funding source for community-based action oriented activities aimed at protecting, preserving and enhancing New Brunswick's natural environment.

3.3 The annual report also tells us that the Environmental Services Branch of the Department looks after the Environmental Trust Fund and is the branch that is responsible for administering the Act.

3.4 The Department's web site expands the description of the fund slightly; it says:

*The Fund provides assistance for action-oriented projects **with tangible, measurable results**, aimed at protecting, preserving and enhancing the Province's natural environment. (Emphasis added.)*

3.5 Section 3 of the Act states that the assets of the Environmental Trust Fund shall be used to:

- a) Pay for the costs incurred to
 - (i) provide for environmental protection,

- (ii) *provide for environmental restoration,*
 - (iii) *promote sustainable development of natural resources,*
 - (iv) *conserve natural resources within the Province,*
 - (v) *educate on matters relating to environmental issues and the sustainable development of natural resources, and*
 - (vi) *maintain and enhance the visual environment; and*
- b) *reimburse any department, corporation or agency of the Government of the Province that makes an advance so as to provide financing for any of the costs incurred for any of the purposes set out in paragraph (a).*

3.6 Section 4 of the Act says:

The Minister of Environment shall appoint an Environmental Trust Advisory Board consisting of a chairperson and not less than four members to advise the Minister of Environment on matters relating to section 3.

3.7 Section 1(3) of the Act establishes the Minister of Finance as the custodian for the fund:

The Minister of Finance shall be the custodian of the Environmental Trust Fund and the Environmental Trust Fund shall be held in trust by the Minister of Finance.

3.8 We last reported on the ETF in our 1994 Report.

Financial information

3.9 The Act contains two references to revenue sources for the ETF. Section 2(1) says:

The Environmental Trust Fund may receive direct contributions.

3.10 Section 1(5) says:

All interest arising from the Environmental Trust Fund shall be paid into and form part of the Environmental Trust Fund.

3.11 The ETF's primary source of revenue is described in its unaudited financial statements as environmental fees. These are fees levied under the *Beverage Containers Act*, and are described in that Act as:

“environmental fee” means the fee established to provide for the costs of administering programs for the reduction, reuse and recycling of waste produced by littering, failing to reuse or recycle or other actions or inactions by individuals;

3.12 Section 19 of the *Beverage Containers Act* says:

The environmental fees and unclaimed deposits that are not used or retained by a distributor or where applicable, an agent of a distributor and have been remitted under section 18 shall be paid into the Environmental Trust Fund.

3.13 The regulations under the *Beverage Containers Act* provide the methods for calculating the environmental fees and unclaimed deposits that are not used or retained.

3.14 For the first ten years of the ETF's existence the fund received a portion of the Province's video gaming revenue. The last year the ETF received video gaming revenue was in the fiscal year ended 2000, when the annual payment of \$10 million ceased.

3.15 The following table provides a financial history of the ETF:

ETF Summary of Financial Information (Years Ended 31 March) (\$ 000's)								
Year	Opening Fund Equity	Environmental Fees and Unclaimed Deposits	Video Gaming Revenue	Interest	Total Revenue	Expenses	Increase (Decrease) in Fund Equity	Ending Fund Equity
2008	7 426,7	8 596,6	-	365,0	8 961,6	7 318,2	1 643,4	9 070,1
2007	5 652,1	8 475,7	-	322,7	8 798,4	7 023,8	1 774,6	7 426,7
2006	4 417,1	6 047,8	-	209,9	6 257,7	5 022,7	1 235,0	5 652,1
2005	3 490,6	6 019,8	-	129,6	6 149,4	5 222,9	926,5	4 417,1
2004	3 117,9	5 296,5	-	140,5	5 437,0	5 064,3	372,7	3 490,6
2003	1 745,4	5 118,3	-	95,2	5 213,5	3 841,0	1 372,5	3 117,9
2002	1 411,9	4 943,9	-	88,9	5 032,8	4 699,3	333,5	1 745,4
2001	1 369,1	4 698,2	-	202,1	4 900,3	4 857,5	42,8	1 411,9
2000	1 806,9	5 004,5	10 000	284,0	15 288,5	15 726,3	(437,8)	1 369,1
1999	1 426,8	4 569,0	10 000	362,0	14 931,0	14 550,9	380,1	1 806,9
1998	1 633,4	4 343,3	10 000	277,5	14 620,8	14 827,4	(206,6)	1 426,8
1997	1 307,2	4 441,8	10 000	402,7	14 844,5	14 518,3	326,2	1 633,4
1996	2 346,3	4 458,6	10 000	397,5	14 856,1	15 895,2	(1 039,1)	1 307,2
1995	3 038,1	4 455,4	10 000	478,5	14 933,9	15 625,7	(691,8)	2 346,3

3.16 As the table above indicates, there was a 40% increase in revenue in 2007, which was the first year the department requested a distributor to remit an amount of unredeemed deposits.

3.17 The Department's 2007/2008 annual report indicated that 463 applications totaling \$19,786,112 were received by the ETF. At total of \$7,318,229 was spent on 306 projects.

3.18 Spending from the ETF is not appropriated by the Legislature. Expenditures from the fund are considered to be statutory and therefore do not require a vote by the Legislature.

3.19 The 2009-2010 Main Estimates show that spending from the ETF is estimated to be \$8.5 million, \$1.9 million of which is planned to be used to fund various ordinary account programs of the Department. The Main Estimates do not provide any information about what the other \$6.6 million of ETF spending will go toward.

3.20 The 2008-2009 budget also authorized moving funds from the ETF to cover some of the Department of the Environment's ordinary

account expenses. The total budget – both ordinary account and ETF, eliminating for inter-fund transfers – over a three year period has been:

Department of Environment Total Gross Budget With Inter-fund Transfers Eliminated			
Year Ended 31 March	2008	2009	2010
Total Budget (\$ 000)	23 472	22 372	21 814
Difference (\$ 000)		(1 100)	(558)
Percent Change		(4.7%)	(2.5%)

3.21 Based on the information contained in the 2009-2010 Main Estimates, this level of budgeted expenses appears to be sustainable only for a few years. The Estimates assume that \$8.5 million will be spent from the ETF, however, the revenue for the ETF is only estimated to be \$6.7 million – a net budgeted deficit for the ETF of \$1.8 million. If that pattern continues into future years, the equity in the ETF will be depleted in about five years.

History

3.22 The history of the Environmental Trust Fund is interesting. On 27 April 1990, the Minister of Finance at that time said:

...in my budget speech of March 27 this year, a commitment was made for the effective control and regulation of video gaming machines. Additional public benefit was promised through a commitment to use up to \$20 million annually from video gaming for an environmental trust fund.

3.23 When introducing the Environmental Trust Fund Act, the Minister of the Environment at that time said that it

...establishes a source of dedicated funding to undertake action-oriented activities which are consistent with the principles of sustainable economic development and environmentally friendly programs. These funds will assist government departments in undertaking projects which have a strong environmental component, or assist nongovernment organizations in carrying out their environment- related community activities.

3.24 In Committee of the Whole, the Minister of the Environment said that the Fund was to be used in a:

...pro-active manner to deal with the many environmental concerns that have been presented to the government of New Brunswick by individuals and groups throughout the province. It is funded under the Lotteries Act, and it will realize approximately \$20 million per year.

3.25 He also said:

The number one intent of the environmental trust fund is to provide an incentive and support for those little groups and individuals who want to do something significant to change our environment.

This money will be made available to community-based organizations and projects.

3.26 One member of the opposition said:

My concern is that at some point in the future, a different government, with different priorities in terms of the importance attached to the environment, may try to circumvent the intent of this Act when implementing it. Provisions of the Act may be used to siphon monies out of the environmental trust fund, to be used for other things.

3.27 In response to that concern, the Minister of the Environment said:

By introducing this Act, I would hope that we are demonstrating – not only to this government but to any government that may follow – that not only are we sincere about establishing the fund, but we are quite sincere about keeping the monies out of general funding...

...once the money is addressed to the environmental trust fund, the minister [of Finance] loses all authority to take that money back and to use it for other things.

3.28 In our 1994 Report, we noted that:

A portion of the Fund is being used to support environmental projects that may have, in the past, been considered for funding through various departments' base budgets. A November 1993 DOE document states:

With fiscal restraint impacting on Departmental budgets, the Environmental Trust Fund is able to assist in meeting their environmental program objectives through augmentation of base budgets. Government priorities which would otherwise be postponed, can be addressed, resulting in both employment and improved environmental practices. Examples of this include the pesticides management program, the emergency remediation program, the purchase and management of environmentally significant areas, construction of salt domes and the development of sustainable development plans for the Buctouche and Caraquet Bay areas, just to name a few.

3.29 It appears that the ETF never reached the level of funding originally envisioned - \$20 million per year, and that it very quickly started to be used as a mechanism to reduce ordinary account pressures. Furthermore, in 2001 its original source of funding was completely removed. The recent budget changes of using the ETF to directly fund some of the Department of Environment's spending does not appear to be unique, it is simply more clearly identified and transparent.

Scope

3.30 We had three objectives; they were:

- to determine if the purpose of the Environmental Trust Fund is clearly established;
- to determine if the Environmental Trust Fund is operating as intended with respect to grants; and
- to determine if the Environmental Trust Fund is measuring and reporting the achievement of its goals and objectives.

Results in brief

3.31 The following exhibit summarizes our objectives, criteria and the status of each.

Objective	Objective Status	Criteria	Status
1. To determine if the purpose of the Environmental Trust Fund is clearly established.	Partially Met	1. The ETF should have clearly defined goals and objectives	Partially Met
2. To determine if the Environmental Trust Fund is operating as intended with respect to grants.	Partially Met	1. Appropriate program eligibility and assessment criteria should be developed to support the achievement of the goals and objectives.	Met
		2. Eligibility and assessment criteria should be met before awarding grants.	Partially Met
		3. Agreements should be signed with the grants recipients that clearly specify the terms and conditions of the grants being awarded prior to the money being disbursed.	Met
		4. The ongoing performance of the fund recipients should be monitored to ensure the terms of the agreement are being complied with.	Partially Met
3. To determine if the Environmental Trust Fund is measuring and reporting the achievement of its goals and objectives.	Not Met	1. There should be a periodic evaluation of whether the fund is meeting its goals and objectives	Not Met
		2. The Environmental Trust Fund should issue an annual report.	Partially Met

Purpose of the Fund

3.32 As we stated in the background section of this chapter, the Act directs how the ETF is used. We wanted to determine if the ETF had clearly defined goals and objectives, and whether those goals and objectives were consistent with the requirements of the Act, and were current.

3.33 A goal can be defined as a general statement of the desired results to be achieved. An objective is a specific statement of results to be achieved over a specific period of time. An objective sets a target and aids in the achievement of a goal. Therefore goals and objectives are important tools for setting program direction and achieving intended results.

3.34 In our 1994 Report we stated that the ETF did not have clearly defined, measurable goals and objectives which could be used to measure the effectiveness of its performance. Given its broad

mandate, various groups or individuals could interpret or measure the success of the operations of the fund quite differently.

3.35 We recommended that the Department establish clearer and more measurable goals and objectives. The Department has told us that the statement in their annual report which says “The Environmental Trust Fund is a dedicated funding source for community-based action oriented activities aimed at protecting, preserving and enhancing New Brunswick’s natural environment” is the goal of the ETF.

3.36 The Department interprets section 3 of the Act as the general objectives of the ETF. The Department suggests that because there are so many possible environmental issues to support, only general objectives are needed. They also indicated that over time, they may want to emphasize one environmental area over another due to emerging issues.

3.37 In our opinion, section 3 of the Act gives the Department the authority to fund projects in a wide variety of areas. It does not establish the objectives of that funding. Furthermore, we believe there is a conflict between the general areas of spending outlined in Section 3 of the *Environmental Trust Fund Act*, and the definition of environmental fee in the *Beverage Containers Act*.

3.38 While section 3 of the Act broadly defines allowable areas of spending, the definition of environmental fees, which represent almost all of the ETF’s funding, restricts the use of those fees to programs for reduction, reuse and recycling of waste produced by littering and failing to reuse or recycle. In our opinion this is much more restrictive.

3.39 The Department’s description of the ETF says that the activities it funds should be action-oriented, but there is no definition of what action-oriented means. Defining action-oriented would be the first step in establishing objectives for the fund.

3.40 While the Department is not specific about the objectives of the ETF, they do require applicants to be specific about the goals of their projects. The standard ETF application form which must be completed by each applicant asks two important questions: what do you want to do and how do you plan to do it? The application further states that it is very important that the applicant establish concise and

tangible results (goals) for their project since its success will be measured by how well these goals have been met. The application also says that the applicant must determine how they will measure how successful they have been in meeting their goals.

3.41 If the Department had established objectives for the fund, it would be in a better position to evaluate the goals and objectives set by the applicants.

3.42 We believe that having clearer objectives would enhance the Department's ability to make sure that the funds of the ETF are spent in priority areas. Periodic reviews could be done to look at the major environmental issues facing the Province, then, before each call for grant applications the Department could communicate their priorities publicly.

Recommendation

3.43 We therefore recommended the Department establish clearer objectives for the Environmental Trust Fund.

Departmental response

3.44 *The Department agrees with this recommendation and has already taken steps to this effect. In the 2008-2009 round of ETF funding, the Department decided to be more strategic in linking project funding with departmental priorities and objectives. In 2009-2010 the Department placed additional emphasis on project outcomes and measures of success in selecting projects and reviewing final reports. This information has been relayed to applicants via the ETF website. The Department will continue to build on the objectives already established and communicate this information to applicants.*

3.45 These objectives should be consistent with the Department's desire to have action-oriented projects that have a measurable impact, and should be consistent with applicable legislation.

Recommendation

3.46 We recommended the Department annually make public its priorities for the types of projects that it wants to fund from the Environmental Trust Fund.

Departmental response

3.47 *The Department agrees with this recommendation. The Department listed the priority areas for project funding on the ETF website in November, 2008 and has expanded the information posted for the 2010-2011 funding year.*

3.48 The priorities for the upcoming year could also be included in the Main Estimates page for the Environmental Trust Fund so that members of the Legislature have an idea of what the fund will be used for.

3.49 We have concluded that this objective has been partially met.

Payment of grants

3.50 For our second objective, we wanted to determine if the ETF has appropriate program eligibility and assessment criteria for grant applications; whether those criteria are met before grants are awarded; whether the terms and conditions of grants are contained in signed agreements before the grants are disbursed; whether the performance of the fund recipients is monitored; and whether problems with the performance of the fund recipients are identified and appropriate action taken.

3.51 To assess whether the Environmental Trust Fund is operating as intended with respect to grants, we chose a sample of 21 applications for grants.

Overview of the application process

3.52 The ETF web site includes the ETF application guide, the application form, and a section on how to fill out an application form. The information given includes who may apply, where to send the application, deadlines and the kinds of projects that the Fund will support. There is also information about the contribution agreement.

3.53 According to the Department's web site, funding is available to the following groups:

Community groups, NB municipalities, non-profit NB organizations, and institutions furthering sustainable development may apply to the Environmental Trust Fund.

3.54 In the past individual residents of the Province and government departments were eligible to apply for funding. The guidance quoted above does not include those categories as eligible for funding. The application guide also describes how the application process works:

The Department of Environment (ENV) is the single entry-point for all ETF submissions...ENV staff will analyze your application to ensure it meets the program's criteria. During this initial assessment, you may be contacted for

further information or clarification of your proposal. The Environmental Trust Fund Advisory Board then reviews all applications and makes recommendations to the Minister of Environment who, in turn, submits a project list to the provincial cabinet for approval. Once projects are approved, the Minister will announce the ETF awards for 2008-09.

3.55 In the past applications could be sent to other departments. This is no longer the case although the Department of Environment consults with other departments when they deem it to be necessary.

3.56 The Department supplied us with a one page flow chart that briefly describes the application process.

3.57 The process starts with a meeting of the ETF advisory board, usually in the Fall (October) to develop the parameters for the program. The Department then makes a public announcement requesting applications usually in November. The Department receives and logs the applications it receives. Subject area experts in the Department review the applications. The advisory board will meet after the applications have been received and will make recommendations to the Minister. The Department makes an announcement of which applications have been successful usually in late May.

Recommendation

3.58 Because we found the flowchart useful, **we recommended the Department enhance the one page flowchart of the Environmental Trust Fund application process to include a brief description of certain steps and should post the flow chart on the Environmental Trust Fund web site.**

Departmental response

3.59 *The Department agrees with the intent to improve the transparency of the ETF process. The flow chart provided to the Office of the Auditor General at the time of the audit will be enhanced and placed on the website. In addition, the Department has already added more information to the “How Does the Fund Work” portion of the website in order to provide additional detail on the method of processing applications.*

3.60 The Department has a standard application form that each potential applicant must complete in order to be considered for funding.

3.61 The application form requires the applicant to provide information about any other funding that they are applying for or have already received from other sources for the same project. It also requests information about any in-kind support that the project will receive. The final page of the application includes a request for a breakdown of how the grant money will be spent. The final item of the application is a certification by the applicant that must be signed. The application must be signed to be valid for consideration.

3.62 If the applicant is approved for funding they receive a three page standard letter of offer from the Department. The letter of offer states the maximum grant payable to the recipient and it identifies the eligible project costs and the ineligible project costs. The letter of offer contains sixteen conditions that must be met by the applicant and it must also be signed by the applicant before the Department will consider disbursing any funds.

Eligibility and assessment criteria

3.63 Our first criterion under this objective was to determine whether the Department had appropriate program eligibility and assessment criteria.

3.64 The Department provided us with two documents to assist us with this criterion. The first was the ETF guidelines and it discussed screening criteria. The second was a document titled Criteria and Notes for ETF. It listed criteria for six specific types of projects, each of which included a number of suggestions for the departmental reviewer to consider.

3.65 We therefore established the Department has program eligibility and assessment criteria. The only criticism we have is that this information is not provided in advance to the potential applicant. It is our opinion that if this information was provided to the applicants, the quality of applications could be improved.

Recommendation

3.66 **We recommended the Department provide potential applicants with the program guidelines and criteria.**

Departmental response

3.67 *The Department agrees with this recommendation and has already posted additional information regarding areas of emphasis in the evaluation of project applications and final reports on the ETF website in November 2008. The Department has also placed information regarding project eligibility and criteria on the website in preparation for the 2010-2011 funding year.*

3.68 As described above, even though the application requires the applicant to detail other sources of funding we did not find any indication that the Department uses this information as an eligibility or assessment criterion. There is no requirement that the applicant must raise a certain percentage of the funds in order to qualify for assistance from the Environmental Trust Fund.

Recommendation

3.69 We recommended the program eligibility and assessment criteria should indicate how other sources of funding are to be assessed.

Departmental response

3.70 *The Department feels that section six of the “How to Fill Out the Application Form” provides guidance to applicants regarding how other sources of funding are to be assessed. It states:*

Full disclosure of all assistance is required. Environmental Trust Fund support may be used to complement existing federal, provincial and private programs, and having other sources of funding may enhance the likelihood of Trust Fund support. Where appropriate, you may be asked to seek alternate or supplementary funding through other sources. Should other sources of funding be confirmed after you have submitted your proposal, please notify the ETF.

3.71 *The Project Eligibility and Criteria section of the website will be updated to reflect the above as well as instructions to project reviewers in the Department.*

3.72 We believe this criterion has been met.

Eligibility and assessment criteria should be met before awarding grants

3.73 We looked at approved applications to determine if they met the Departments eligibility and assessment criteria.

3.74 One of the steps in the ETF application process indicates that information is prepared and reviewed by subject experts who are provincial government employees. In each applicant’s file there was supposed to be a one page summary prepared by the subject experts describing the merits of the project. This is supposed to include a recommendation of whether to fund the project or reject the project. In our sample we found an application where the subject expert recommended the project, however it was not approved. We also found one application where the subject expert did not recommend

the project and yet it was funded. Finally one sample item did not have a subject expert review at all and yet the project was funded.

3.75 Our sample of 21 applications included three projects that were classified by the Department as in-year ETF applications. These applications were received after the published deadline for application submissions. There was no information on the web site that suggested that projects would be accepted after the deadline, however, the applicants must have had knowledge that money was still available or they would not have submitted the application. The Department supplied us with a document called the Process for In-year ETF Applications. One of the steps required by this document is to “forward the application request to the appropriate staff person for review based on the subject of the request.” We interpreted this to be the equivalent of the subject expert review mentioned above, however, we did not find any correspondence in any of the three in-year sample items that suggested the application was reviewed by a subject expert.

3.76 The Department referred to these in-year applications as applications to the discretionary fund.

3.77 We believe the public would make more use of these applications to the discretionary fund if information about the process was readily available.

3.78 It appears these in-year applications were sometimes fast tracked within the Department. In the case of one of the three sample items, the applicant had submitted some financial information but no formal application. The end result was that the applicant was successful in receiving a grant of \$20,000 without completing a formal application.

3.79 A second in-year application was approved and awarded \$10,000, but there was no signed letter of offer on the file. This application was stamped as received by the Department on the 19th of July 2006 and the approval letter was signed and dated by the Minister on the 20th of July, 2006.

3.80 In summary the eligibility and assessment criteria were met for regular applications, but not for the in-year applications.

Recommendation

3.81 We recommended the Department ensures that it follows the written protocol for in-year ETF applications.

Departmental response

3.82 The Department agrees with this recommendation. The Department established a protocol regarding in-year applications in October 2006 that applies to all in-year applications subsequent to those reviewed during the audit.

3.83 Therefore we believe this criterion has been partially met.

Agreements should be signed with grant recipients

3.84 The standard letter of offer that we described in the Overview of the Application Process includes conditions that the grant recipient is supposed to meet. This letter of offer is supposed to be signed by the grant recipient.

3.85 As we noted earlier, one of the three approved in-year applications did not have a signed copy of the letter of offer on file.

3.86 Except for this one item, our sample indicated that signed agreements did exist, therefore this criterion was met.

Performance of Fund recipients should be monitored

3.87 To assess whether the performance of the fund recipients was being monitored, we narrowed our testing to include three items. These three items are quarterly reports that the recipient is required to submit; a final report from the recipient; and departmental on-site visits. All three of these are required by the standard letter of offer.

3.88 In all cases the applicant is required by the letter of offer to provide copies of invoices and cancelled cheques. This helps the Department to ensure that the work was completed and was within the scope of the project as approved. It also helps to ensure that the Department does not pay for costs that exceed the approved grant total.

3.89 In our sample we rarely saw a quarterly report. Usually the successful recipient asked for an advance and then would make a final claim. In some cases the recipient would make one interim claim prior to the final claim. We discussed this with the Department. We felt that the short time frame for many projects would mean that the requirement to submit quarterly reports was not reasonable. The Department had also recognized this. In fact before we finished our audit work they informed us that they had changed that procedure

and would no longer request quarterly reports. The requirement has been changed to an interim report and a final report.

3.90 The standard letter of offer requires that “at the end of the funding period, there will be a 10% hold back of project funding until a final report and all financial back-up, including proof of expenditure of any advance, has been received by the Department.” In our sample we found one example where the recipient did not initially complete a final report. That recipient subsequently inquired about why they had not received their hold back. The Department informed them about the missing final report. As a result the recipient completed the final report and received their hold back. All other sample items had a final report.

3.91 The standard letter of offer requires that “the project site shall be accessible to the Departmental staff on a continuing basis” for on-site visits. The Department has a form to record information collected from these on-site visits. The Department also has a list of items to be discussed during the site visits, however, due to limited resources the Department had just one individual assigned to the on-site visits, an employee who also had numerous other duties.

3.92 In our sample, we found that the Department had visited three of the 21 recipients. Our understanding from the Department is that they choose the recipients to visit based on several undocumented criteria. For example: first time recipients; if the recipient had experienced trouble in the past; or if the recipient had requested an on-site visit to clarify some issues. Such a risk based approach is an appropriate approach, however, because the approach was not documented we could not determine if an appropriate number of site visits were conducted.

3.93 We believe the on-site visits are extremely important to the Department and to the recipient.

3.94 In addition to the three items we looked for, the Department did provide us with evidence of phone conversations with some of the recipients.

Recommendation

3.95 We recommended the Department document the criteria it uses to determine which projects will be inspected through on-site visits.

Departmental response

3.96 *The Department agrees with this recommendation and will compile a set of written guidelines to provide direction to staff in scheduling site visits.*

3.97 This criterion has been partially met.

Follow-up action on site visits should be taken

3.98 We looked for evidence that the Department was taking follow-up action when site visits identified problems with the performance of fund recipients. We noted that the three on-site visits conducted by the Department did not identify any problems with the performance of the fund recipient. We also noted that the Department did not release the hold back payment on one project until the final report was received. In the case of the hold back, however, the recipient had to ask the Department about the payment rather than the Department following up with the recipient to have the final report submitted.

3.99 We can not conclude on this criterion because we did not observe any site visits that would have required follow-up action.

3.100 We have concluded that our second objective which related to the payment of grants has been partially met.

Performance reporting

3.101 We wanted to determine if the Department does a periodic evaluation of whether the ETF is meeting its goals and objectives and whether the results of those evaluations are reported, and we wanted to determine if the ETF issues an annual report.

3.102 Over the years, government has taken certain actions that indicated to us that it has not been satisfied that the ETF was doing what it is intended to do. These actions were:

- A significant reduction in spending from the ETF. In the year ended 31 March 2000, over \$15 million was being spent from the ETF; this declined to a low of \$3.8 million in 2003. In 2007, \$7.0 million was spent.
- Reduced funding. In 2001 the Province stopped putting video gaming revenue into the ETF, thereby reducing its annual revenue by \$10 million.
- Transferring ETF funds to the regular departmental budget, without enhancing the ETF budget.

3.103 There has not been a formal evaluation of the ETF assessing its performance. We still believe, as we said in 1994, that a formal evaluation of the ETF should be done to determine the degree of success the fund has achieved to date. Such an evaluation should also include an examination of alternative approaches for the future and help to clarify the goals and objectives to be accomplished.

3.104 The Department publishes a single page of information about the ETF each year in its annual report. This gives the total number and funding value of projects awarded funds in each of the six categories listed in Section 3 of the Act. It also indicates the total number and value of applications received. The information reported does not explain the six categories, provide descriptions of any of the projects funded, or provide any information about what will be achieved by supporting those projects. The Department's annual report also includes a table that reports the revenue and expenditures of the ETF, however, the amount of the expenditures in the table is different than the amount of spending referred to in the narrative about the ETF. Neither the table nor the narrative provided any details about the fund's revenue.

Recommendation

3.105 We recommended the Department's annual report include more information about the performance of the Environmental Trust Fund.

Departmental response

3.106 *The Department agrees with this recommendation and has included some additional information on the performance of the ETF in the Department's 2008-2009 annual report. More information will be provided in future years. The Department will also begin highlighting selected projects in 2010-2011 on the ETF website.*

3.107 We did find that the Department occasionally issues a press release that reports certain aspects of a project but not necessarily for every funded project every year.

3.108 Through an internet search we also found several examples of the results of individually funded projects being reported. This was usually the result of an external group reporting their involvement in a project and its success.

3.109 We have concluded that this objective has not been met.

Overall conclusions

3.110 The ETF should develop more clearly defined objectives that are tied to the Department's priorities.

3.111 The ETF has eligibility and assessment criteria which it is applying except in the case of the in-year applications to the discretionary fund.

3.112 The on site project inspection guidelines need to be documented.

3.113 The Department should report on how the fund is meeting the goals and objectives it has decided on.