

## Update on Prior Years' Report Items

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### Department of Finance

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#### 3.2.4 Direct Equity Tax Credit Program (2003 Annual Report, Part 2.12)

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##### Introduction

In 2003, we performed a review of the Direct Equity Tax Credit Program. The objectives of our review were to determine whether applications were adequately assessed and approved in accordance with established criteria; companies and investments were adequately monitored for compliance with the *Direct Equity Tax Credit Regulations*; and performance criteria had been established to measure progress towards Program objectives.

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##### Conclusions from our 2003 review

As a result of our review, we concluded that the Department was not obtaining documentation, as required under the *Regulations*, to properly assess applications or to monitor eligible businesses. We also concluded that the Department was not determining if the Program was meeting its objectives or providing information on the costs of the Program to the House of Assembly.

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##### Update

In October 2005, we contacted the Department of Finance requesting an update as to progress on the comments and recommendations included in our 2003 report. The information provided by the Department in response to our request is outlined below.

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##### 2003 Recommendation

*The Department should ensure that all documentation required under the Direct Equity Tax Credit Regulations is obtained prior to the application being approved.*

##### Action Taken

The Department indicated that it has taken action to ensure that all documentation required under the *Regulations* is obtained prior to the approval of applications.

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### **2003 Recommendation**

*The Department should ensure that all information required under the Direct Equity Tax Credit Regulations to monitor eligible businesses is provided.*

### **Action Taken**

The Department indicated that administrative procedures were reviewed so that greater emphasis is placed on the application approval process to ensure full compliance with program eligibility rules. Every effort is made to ensure that companies under the Program provide the Department of Finance with financial statements and completed information returns in order to facilitate the monitoring of their activities after these companies become eligible.

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### **2003 Recommendation**

*The Department should gather information on the effects of the Program which could be used to determine whether the Program is meeting its objective.*

### **Action Taken**

The Department indicated that it has been working with the Department of Innovation, Trade and Rural Development to gather information through surveys distributed to Program participants regarding the effectiveness of the Program, relative to its objectives.

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### **2003 Recommendation**

*The Department should provide information to Members of the House of Assembly on the costs of the Program.*

### **Action Taken**

The Department indicated that, in 2005, it started to publish the cost of the Program, along with other tax expenditures in the annual Estimates document.

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