

- The Department does not regularly perform audits on retailers as evidenced by the fact that only one audit on 9 of the 212 retailers registered to sell marked diesel in the Province was performed in the past five years.

Consumers

Some consumers are using tax-exempt diesel fuel for purposes other than provided for under the *Act*. The Department does not regularly perform audits of consumers as evidenced by the fact that only 71 audits were performed in the last five years. Thirty-four of these audits resulted in tax assessments ranging from \$471 to \$102,386, with total tax assessed of \$578,870. Therefore, the audits show that consumers are using tax-exempt diesel fuel for purposes other than provided for under the *Act* and significant tax recoveries are available.

Reporting

The Department has not done a good job in documenting its program objectives and performance indicators. Furthermore, the Department does not have an annual operational plan to focus its identification, monitoring and audit activities towards meeting its objectives.

2.17 Tax Expenditures

Programs offered by the Province are normally outlined in the Estimates and approved by the Members of the House of Assembly as part of the annual budgetary approval process. However, the Province offers a number of programs which use various tax revenues that are not part of this annual budgetary approval process. These deductions and exclusions reduce tax revenue otherwise due the Province and are commonly referred to as tax expenditures.

The Province offers a significant number of tax expenditure programs; however, details of the impact of the various tax expenditure programs are not provided to Members of the House of Assembly as part of the annual budget approval process. We identified approximately \$215.5 million of foregone revenue resulting from these tax expenditure programs. Tax expenditures

affect the financial position of the Province in the same way as direct expenditures under normal spending programs. Reporting tax expenditures to the House of Assembly would provide information that the Members require in order to hold Government accountable.

There is currently no process in place to formally set target objectives for tax expenditure programs which would facilitate the measurement and monitoring of the results of the programs against desired objectives. As a result, no information is provided to the House of Assembly on the effectiveness of these programs.

2.18 Aquaculture Program

The Province is not doing a good job supporting the development of the aquaculture industry and there has been no successful development of the industry since 1999. In 2003, a Report of the Federal Commissioner for Aquaculture Development indicated that aquaculture benefits when “*government guides the sustainable development of aquaculture*”.

In March 2000, the Province, the Newfoundland Aquaculture Industry Association (NAIA), the Federal Government and other agencies produced a Strategic Plan. The Province had little involvement in ensuring the Plan was implemented on an overall basis.

The Plan provided recommendations to deal with a number of significant issues that needed to be addressed in order to strengthen the industry. For example, it identified the issues of debt load, lack of capital, and the high cost of production. However, the Provincial Government only carried out a review of debt load relating mainly to mussel farmers who had debts with the Province. Little debt funding was provided to these farmers. The Department did not review the debt load of all aquaculture farmers to determine whether assistance would be required. Furthermore, recommendations to deal with the lack of capital and the high cost of production were not fully addressed.