

# Municipal Affairs, Culture and Housing

# 3

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## Executive summary

In this chapter, we report on the Department of Municipal Affairs, Culture and Housing, and on a number of agencies for which it is responsible. This is our first report to the Legislative Assembly on the First Nations Fund's management of public resources. For several years, the Trustees of the fund refused to co-operate with our Office. They are now co-operating with us. As a result, we can now tell the Assembly about the Trustees' management of public resources.

The Trustees did not spend nearly \$34 million of public resources with due care. They did not ensure that the money was spent according to provincial law. Also, the Department did not properly supervise the Trustees to ensure that the Trustees spent the money with due care and in accordance with provincial law.

We make five recommendations relating to the First Nations Fund. Four of the five recommendations are intended to improve the Trustees' management of public resources. The fifth recommendation relates to improving the Trustees' public accountability.

We also make one new recommendation relating to the provincial-municipal infrastructure program managed by the Department. In 1999-2000, the Department paid municipalities \$9.7 million under this program. We found that the Department needs to improve its procedures to ensure that municipalities spend the money on projects that meet the conditions of the program.

Our previous recommendations relate to a number of areas—libraries, local governments, Saskatchewan Archives Board, and Saskatchewan Housing Corporation. The Department has made good progress on the recommendations relating to libraries and local governments. We note limited progress on our recommendations relating to the Saskatchewan Archives Board and Saskatchewan Housing Corporation.

## Introduction

Up to February 8, 2001, the Department of Municipal Affairs, Culture and Housing (Department) was responsible for supporting and maintaining a viable system of municipal government in Saskatchewan. This included enabling communities to provide local governance, public protection, social housing, and access to sport, recreation, culture, and information. The Department worked in partnership with communities by providing financial and technical support and by developing legislation, regulations, and other policies to meet the changing needs of Saskatchewan people. After February 8, 2001, Cabinet created two departments to carry out this work: the Department of Municipal Affairs and Housing, and the Department of Culture, Youth, and Recreation.

## Overview of Department spending

The following is a list of major programs and their spending for the year ended March 31, 2000 as reported by the Department of Municipal Affairs, Culture and Housing in the *Public Accounts 1999-2000: Volume 2: Details of Revenue and Expenditure* (1999-2000 Public Accounts – Volume 2).<sup>1</sup>

	<u>Original Estimates</u>	<u>Actual</u>
	(In millions of dollars)	
Municipal Financial Assistance	\$ 86.3	\$ 86.1
Housing	34.8	34.5
Gaming Funds	16.9	19.9
Provincial Library	8.1	8.1
Cultural & Recreation Financial Assistance	7.8	8.1
Municipal & Community Services	7.3	7.1
Accommodation & Central Services	2.8	2.8
Public Safety	4.3	5.1
Cultural Tourism Facilities	4.0	4.4
Administration	2.2	2.3
	<u>\$ 174.5</u>	<u>\$ 178.4</u>

<sup>1</sup> To view a copy of this report, see <http://www.gov.sk.ca/finance/paccts>

## Special purpose funds and Crown agencies

At March 31, 2000, the Department was responsible for the following special purpose funds and Crown agencies:

	<u>Year End</u>
Associated Entities Fund	March 31
First Nations Fund <sup>2</sup>	March 31
Municipal Potash Tax Sharing Administration Board	December 31
Northern Revenue Sharing Trust Account	December 31
Saskatchewan Archives Board	March 31
Saskatchewan Arts Board	March 31
Saskatchewan Heritage Foundation	March 31
Saskatchewan Housing Corporation (including 281 public housing authorities)	December 31
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation	March 31
Western Development Museum	March 31

## Audit conclusions and findings

This section contains our audit conclusions and findings for the Department, for three of its agencies for the year ended March 31, 2000—Saskatchewan Archives Board, Saskatchewan Heritage Foundation, and First Nations Fund, and for three of its agencies for the year ended December 31, 2000—Saskatchewan Housing Corporation, Municipal Potash Tax Sharing Administration Board, and Northern Revenue Sharing Trust Account.

Chapter 8 and Appendix 2 of our 2000 Fall Report – Volume 3 contained our findings for the remaining agencies for the years ended on or before March 31, 2000—Associated Entities Fund, Saskatchewan Arts Board, Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation, and Western Development Museum.

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<sup>2</sup> As of August 3, 2000, the First Nations Fund became the responsibility of the Minister of Intergovernmental and Aboriginal Affairs.

Our Office worked with KPMG, the appointed auditor, to carry out the audits of the Saskatchewan Housing Corporation and the First Nations Fund, and to form the opinions below. Our Office and the appointed auditor worked together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>3</sup>

**In our opinion:**

- ◆ **The following financial statements are reliable:**
  - **for the year ended March 31, 2000:**
    - **the Saskatchewan Archives Board; and**
    - **the Saskatchewan Heritage Foundation;**
  - **for the year ended December 31, 2000:**
    - **the Saskatchewan Housing Corporation;**
    - **the Municipal Potash Tax Sharing Administration Board; and**
    - **the Northern Revenue Sharing Trust Account.**
  - **for the years ended March 31, 1997, 1998, 1999, and 2000:**
    - **the First Nations Fund;**
  
- ◆ **The Department and the above agencies had adequate rules and procedures to safeguard and control their assets except for the matters reported in this chapter.**
  
- ◆ **The Department and the above agencies (not including the First Nations Fund) complied with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter.**
  
- ◆ **For the First Nations Fund for the years ended March 31, 1997, 1998, 1999, and 2000, we are unable to determine if the Trustees of the Fund complied with authorities governing the Fund's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing because of the matters described in this chapter.**

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<sup>3</sup> To view a copy of this report, see our website at <http://www.auditor.sk.ca/rrd.html>

In this chapter, we also report on the public accountability of the Trustees' of the First Nations Fund. Further, we conclude that the Department needs to improve further its annual reports so that they become better reports on the Department's performance.

The following sets out the mandate of each agency and our findings in more detail of the Department and of each agency.

## **Department**

In this section, we make one new recommendation and provide the status of previous recommendations.

### **Adequate checks needed**

The Department needs to ensure that certain payments meet the specific conditions of the provincial-municipal infrastructure program.

The Department established the provincial-municipal infrastructure program under *The Urban Municipalities Revenue Sharing Regulations, 1981*, the *Rural Municipalities Revenue Sharing Regulations, 1997*, and the *Northern Municipalities Act*. In 1999-2000, the Department paid municipalities \$9.7 million under the provincial-municipal infrastructure program.

Under this program, municipalities must spend the money on projects that meet specific conditions. For example, these projects must bring infrastructure up to recognized standards in the areas of health, pollution, or safety. Projects were to be completed by March 31, 2000. The Department pays up to 50% of eligible project costs. The program expects municipalities to raise the remaining 50% of the total project cost.

Currently, the Department bases the amounts paid to municipalities on declarations signed by municipalities. In each declaration, the municipality states that it will comply with the specific conditions of the program. The Department does not check to ensure program conditions are met prior to payment. To ensure program conditions are met, the Department intended to use knowledge gained from working with each municipality combined with information gained from a sample of post-checks of

payments. For over or underpayments identified, the Department planned to adjust future payments to the municipality by the necessary amount.

As at December 2000, which was nine months after the completion date of the projects, the Department had not done any post-checks of payments. As a result, the Department does not have the necessary information to determine if the payments it made to municipalities complied with the *Urban Municipalities Revenue Sharing Regulations, 1981*, the *Rural Municipalities Revenue Sharing Regulations, 1997*, the *Northern Municipalities Act*, and the related program guidelines. As a result, our Office cannot determine if payments made under this program were used for the purposes intended.

- 1. We recommend that the Department improve its procedures to ensure provincial-municipal infrastructure grants provided to municipalities meet the conditions of the related program.**

### **Status of previous recommendations**

The following are previously reported outstanding recommendations. Under each, we identify key activities that the Department has undertaken to move towards compliance with these recommendations.

The Standing Committee on Public Accounts discussed and concurred with the first two recommendations. It has not yet discussed the last two.

We continue to recommend that:

For libraries:

- ◆ the Department should require the libraries to use standards for financial statements recommended by The Canadian Institute of Chartered Accountants (CICA); and
- ◆ the Department should receive and verify reports on how successful the libraries were in meeting the Department's objectives.

For local governments:

- ◆ the Department should require local governments to prepare their financial statements following the standards for local governments recommended by the CICA.

For federal-provincial infrastructure programs:

2. **We recommend that the Government of Saskatchewan ensure its agreements contain provisions that clearly assign responsibilities among the partners and provide sufficient resources to carry out administrative and other program requirements (including timely monitoring and reporting on achievement of results).**

For reporting on performance:

3. **We recommend that the Department continue to improve its annual report.**

***For libraries***

The law, specifically *The Public Libraries Regulations, 1996*, sets out specific conditions libraries must meet to qualify for and retain money received from the Department. During the year, the Department continued to make progress towards meeting our recommendations. The Department continued to work with the directors from each of the 10 public library systems boards (boards) in the Province to determine how best to meet our recommendations.

During 2000, the Department communicated to boards its expectations of the library system and libraries within the system. It introduced various steps to monitor the adequacy of the boards' rules and procedures and their ability to meet the Department's objectives. These include the attendance of Department staff:

- ◆ at the periodic meetings with library directors and board chairs;  
and



- ◆ at the meetings of library system boards when each board tables and discusses its annual report and financial statements.

The Department expects each of the library system boards to adopt the CICA standards for the preparation of their financial statements for the year ended December 31, 2000. The Department also expects an audited schedule of materials expenditures to be included with the financial statements. It also expects libraries to provide additional information. This information includes a report on understanding and compliance with the grant conditions and internal controls used to safeguard library assets. The Department is working with the boards to ensure it receives comparable data from the systems. We look forward to the Department's continued progress.

***For local governments***

The Department has not yet changed its financial reporting requirements for local governments. The Department continues its work with local governments (i.e., municipalities) to help them build their capacity to improve their financial reporting. It is also considering changes to the law that will include adoption of the CICA standards for the preparation of local government financial statements.

***For federal-provincial infrastructure programs***

The Federal-Provincial Infrastructure Program – Phase II (Phase II) finished in 1998-1999.

During 1999-2000, the Federal/Provincial Management Committee began its review of a sample of projects under the Phase II. The Federal Government carried out this review. It assessed whether sufficient supporting information existed to ensure that projects and costs incurred met the Phase II requirements. The Federal Government planned to incorporate the findings of the review into the design of similar future programs. The Department planned to rely on the results of this review and did not plan to or carry out any additional procedures.

In August 2000, the Federal Government reported the results of its review to the Department. It reported that a number of projects, in which the Department had advanced monies to municipalities, did not meet Phase II

requirements. The report did not quantify these amounts. The Department has not sought repayment from the municipalities for ineligible amounts paid. We were told that the Federal Government has not sought repayment from the Department for the matching portion it paid that related to these ineligible costs.

Similar to the results of our audit reported in Chapter 6 of the 1999 Fall Report – Volume 2, the Federal Government reported that it could not collect sufficient information to conclude if the projects met the Phase II requirements, e.g., the actual number of jobs created as a result of the project or if the project was incremental. It stated that information was difficult to collect because Phase II included definitions that were unclear or were poorly defined.

In 1999-2000, the Department did not enter into any new arrangements with the Federal Government for infrastructure. As a result, the Department did not have an opportunity to act upon our recommendation relating to clearly assigning responsibilities in future agreements.

***Reporting on performance – annual reports***

The Department added its strategic goals to its 1999-2000 Annual Report. These Department's strategic goals link to the activities of its divisions included in the Report. The Department's 1999-2000 Annual Report continues to describe the Department, its major activities, and accomplishments.

To improve its annual report as a performance report, future annual reports need to include a description of:

- ◆ the key risks the Department faces;
- ◆ what the Department views as its measures of successful achievement of its strategic goals; and
- ◆ the extent to which the Department has achieved its plan including an analysis of the differences between planned and actual operational results.

Good reporting depends on good planning. Management told us that the content of the Department's annual report reflects the stage that the Department is at in getting approval for its strategic plan. The Department expects to improve its annual report to include the items mentioned above as Cabinet approves the related parts of its strategic plan.

## **First Nations Fund**

*The Saskatchewan Gaming Corporation Act* (Act) established the First Nations Fund (Fund). Cabinet appoints the Trustees of the Fund.

The Trustees are stewards of public money, and are responsible for carrying out economic development, social development, justice, health, and other initiatives relating to Indian Bands (First Nations) as required by the Act.

The Legislative Assembly makes money available to the Department of Municipal Affairs, Culture and Housing (Department) for the Fund. Effective August 3, 2000, Cabinet made the Department of Intergovernmental and Aboriginal Affairs responsible for the Fund.

The Fund is subject to an audit under *The Provincial Auditor Act*. Cabinet appointed KPMG as the appointed auditor of the Fund.

For the year ended March 31, 2000, the Department paid \$11.8 million (1999 - \$10.2 million; 1998 - \$9.8 million; 1997 - \$2.2 million) to the Fund.

For the year ended March 31, 2000, the Fund had revenues of \$11.8 million (1999 - \$13.7 million; 1998 - \$7.5 million; 1997 - \$1.1 million) and expenses of \$11.8 million (1999 - \$14.5 million; 1998 - \$6.8 million; 1997 - \$1.0 million). The Department gave the Legislative Assembly the Fund's financial statements for the years ended March 31, 1997, 1998, 1999, and 2000.

## **Observation**

*The Saskatchewan Gaming Corporation Act* and the Agreements between the Government and the Federation of Saskatchewan Indian Nations (FSIN) provide a sound public accountability framework for the Trustees of the Fund. Under this framework, the Legislative Assembly

retained the right to control how the Trustees of the Fund spend public resources. Also, through the Minister, the Trustees are accountable to the Assembly for their duty to ensure that the money they spend is used according to the law. For the last four years, the Trustees did not discharge this duty, and the supervising Department did not ensure that the Trustees did so.

In our past reports, we said the Trustees refused to co-operate with us. As a result, we could not fully audit the Trustees' management of public resources for the years ended March 31, 1997, 1998, and 1999. This prevented us from reporting, until now, our concerns regarding the Trustees' management of public resources totalling approximately \$34 million to the Legislative Assembly, the Government, and the Trustees. Because the Department and the Trustees were not aware of our concerns, they could not take action to address those concerns.

In August 2000, the Minister of Intergovernmental and Aboriginal Affairs requested the FSIN to provide our Office with the necessary access to the accounts of the Fund to fulfil our duties. On November 13, 2000, the Minister of Intergovernmental and Aboriginal Affairs informed us by letter that he had again requested the FSIN to provide our Office with necessary access to the accounts of the Fund to fulfil our duties. On December 1, 2000, the Chief of the FSIN informed us that the FSIN and the Trustees are willing to co-operate with us. The Trustees are now co-operating with our Office.

As part of this co-operation, in February 2001, the Trustees of the Fund allowed KPMG to do an audit to report on the adequacy of the Trustees' rules and procedures to safeguard and control the Fund's assets, and to comply with the laws. Also, the Trustees allowed KPMG to do an audit to report whether or not the Trustees complied with the laws governing the Fund's activities. This additional work is necessary for our Office to discharge our responsibilities to the Assembly.

## **Background**

The FSIN and the Government made an agreement on June 17, 1994. This agreement sets out arrangements for the proposed development of casinos in Regina and Saskatoon. Under the agreement, Saskatchewan Casino Corporation (a Crown corporation later named Saskatchewan

Gaming Corporation) was to develop and operate both proposed casinos. Also, under that agreement, the Government committed to proposing, to the Legislative Assembly, a law establishing a First Nations Fund (Fund). The Government agreed to include the following provisions in the proposed law:

- ◆ twenty-five percent of the net profits of Saskatchewan Gaming Corporation shall be paid to the Fund;
- ◆ the general purposes for which payments may be made from the Fund subject to the condition that payments shall be made to all bands (First Nations) on a fair and equitable basis shall be set out;
- ◆ Cabinet shall have the right to appoint the Board of Trustees for the Fund consisting solely of persons nominated by the FSIN; and
- ◆ Cabinet shall be provided authority to appoint an auditor for the Fund.

The FSIN also agreed that the Chiefs' Assembly (First Nations Chiefs' Legislative Assembly) may establish: the criteria for payments made from the Fund, the process for such payments, the requirements relating to audits of recipients of such payments (including the appointment of auditors for such purposes), and any other related matters.

In 1994, the Legislative Assembly enacted *The Saskatchewan Gaming Corporation Act* as required under the 1994 agreement. The Act established the Fund and provided for all the requirements under the agreement.

The proposal to establish the Saskatoon casino did not proceed. As a result, in February 1995, the FSIN and the Government made an additional agreement commonly known as "The Framework Agreement." The Framework Agreement allowed the FSIN to establish a maximum of four casinos to be operated within the parameters of the *Criminal Code of Canada*. The Framework Agreement also defines "First Nation Trust" as the First Nations Fund established under *The Saskatchewan Gaming Corporation Act*, or a trust fund with similar purposes established and designated by the FSIN.

The FSIN established the Saskatchewan Indian Gaming Authority (SIGA), to operate four casinos established under the Framework Agreement. SIGA began operating the four casinos in 1997; 1998 was its first full year of operations.

The Legislative Assembly changed the Act in 1997. The changes require that the Trustees pay all the money they receive under the Framework Agreement into the First Nations Fund established under the Act. The changes do not allow the Trustees to pay the money they receive into a trust fund that the FSIN might establish.

The Framework Agreement describes the formula for distributing the net profits of the SIGA-operated casinos located on reserves and off reserves. The 1994 agreement sets out the distribution formula for the net profits of casinos operated by the Saskatchewan Gaming Corporation (Corporation).

The Trustees maintain that the FSIN established the First Nations Trust Fund II as provided under the Framework Agreement. The Trustees say that all the money they receive is paid into the First Nations Trust Fund II. Also, the Trustees maintain that the Act established the First Nations Fund to receive the share of net profits of casinos operated by the Saskatchewan Gaming Corporation and that the FSIN established the First Nations Trust Fund II to receive the share of net profits of casinos operated by SIGA.

The Trustees' position is not consistent with the law and how they administer the money. The FSIN established a trust fund called First Nations Trust Fund II on January 9, 1996. The document setting up this trust fund states that the First Nations Trust Fund I (later called First Nations Trust Fund by the FSIN) means the Fund established under *The Saskatchewan Gaming Corporation Act*. The Trustees paid all the money they received from the Department into the First Nations Trust Fund, which is the same as First Nations Fund. The Trustees did not pay any of the money they received from the Department into the First Nations Trust Fund II.

Quarterly, the Department pays the money due to the First Nations Fund from the gaming activities of all casinos in Saskatchewan. As stated above, the Fund's Trustees record this money as revenue of the First

Nations Trust Fund. The Trust Fund's financial statements clearly state that they are the financial statements of the Fund established under the Act.

The First Nations Fund is the only fund established by the Legislative Assembly to receive the FSIN's share of net profits from all casinos in the Province. The Act states:

The [First Nations Fund] consists of:

- (a) moneys paid to the fund pursuant to section 22 [25% share of the Saskatchewan Gaming Corporation's net profits];
- (b) moneys paid to the fund pursuant to any agreement between:
  - (i) the Government of Saskatchewan or any of its agents; and
  - (ii) the Federation of Saskatchewan Indian Nations or the Saskatchewan Indian Gaming Authority Inc.;
- (c) amounts from appropriated moneys that may be authorized by the Lieutenant Governor in Council; and
- (d) earnings on investments of the fund.

As stated earlier, the Trustees maintain that the agreements between the FSIN and the Government allowed for the establishment of two funds. However, the Legislative Assembly only provided for one fund, the First Nations Fund.

Accordingly, the Trustees of the First Nations Fund are accountable to the Legislative Assembly of Saskatchewan for all the money paid to them from the Department of Municipal Affairs, Culture and Housing. (Effective August 3, 2000, Department of Intergovernmental and Aboriginal Affairs.) Also, the Department is responsible for supervising the Trustees of the Fund.

### **Department's supervisory responsibility**

The Department is responsible to supervise the Trustees of the Fund to ensure the Trustees spend money with due care and operate in accordance with the laws.

In a letter dated May 3, 2001 to our Office, the Trustees insisted that the Trust is operated as First Nations Trust Fund II as established by the

Trust indenture of January 9, 1996. Therefore, because the Trustees continue to maintain that the Fund they administer is not the Fund that was established under *The Saskatchewan Gaming Corporations Act*, they may continue to operate the Fund outside the provincial legislation.

- 4. We recommend that the Department of Intergovernmental and Aboriginal Affairs should supervise the Trustees of the First Nations Fund to ensure the Trustees spend public money with due care and in accordance with the provincial legislation.**

### **Our audit findings**

In our 2000 Fall Report and in past Reports, we said we have been unable to discharge our responsibilities to the Assembly to audit the Fund since it started operations in 1996. We had not audited the Fund for the years ended March 31, 1997, 1998, and 1999 because the Trustees of the Fund refused to co-operate with us. We also pointed out that it is not possible to evaluate the Fund's rules and procedures for managing the Fund's operations for the years we have not audited. We said so because the projection of any evaluation of an organization's rules and procedures to a past period is subject to the risk that procedures may not be the same or the degree of compliance with them may be increased or decreased.

In December 2000, the Trustees of the Fund advised that we could have access to the Fund's accounts and that the Trustees are willing to co-operate with our Office. Also, in January 2001, the Trustees instructed KPMG, the Fund's appointed auditor, to allow us full access to KPMG's files. The Trustees also hired KPMG to examine and report on the adequacy of the Trustees' rules and procedures to safeguard and control the Fund's assets and on whether the Trustees complied with authorities governing the Fund's activities.

KPMG told us that they cannot assess the adequacy of the Trustees' rules and procedures to safeguard and control the Fund's assets for the years prior to March 31, 2000. KPMG informed us that they cannot do so because a projection of an evaluation of the Fund's rules and procedures to the previous years is subject to the risk that procedures may not be the



same or the degree of compliance with them may be increased or decreased. We agree.

Accordingly, in this chapter, we report on the adequacy of the Trustees' rules and procedures to safeguard and control the Fund's assets for the year ended March 31, 2000 and on the Trustees' compliance with authorities governing the Fund's activities for the years ended March 31, 1997, 1998, 1999, and 2000. We also report on the reliability of the Fund's financial statements for the years ended March 31, 1997, 1998, 1999, and 2000.

***Ensuring that the money the Trustees pay to First Nations is used for the purposes described in the Act***

The Trustees need rules and procedures to ensure that the money they pay to First Nations is used for the purposes described in *The Saskatchewan Gaming Corporation Act (Act)* and is properly safeguarded until it is spent.

Section 20(1) of the Act authorizes the Trustees to make payments from the Fund to the First Nations in Saskatchewan for the following purposes:

- (a) economic development;
- (b) social development;
- (c) justice initiatives;
- (d) education development;
- (e) recreational facilities operation and development;
- (f) senior and youth programs;
- (g) cultural development;
- (h) community infrastructure development and maintenance;
- (i) health initiatives; and
- (j) charitable purposes in accordance with any agreement between:
  - (i) the Government of Saskatchewan or any of its agents; and
  - (ii) the Federation of Saskatchewan Indian Nations or Saskatchewan Indian Gaming Authority Inc.

To ensure the First Nations spend the money they receive from the Trustees for the purposes described in the law, the 1994 Agreement between the Government and the FSIN states that the Chiefs' Assembly may establish criteria for making payments from the Fund. The established criteria may include the process for such payments and the

requirements relating to audits of recipients of such payments (including the appointment of auditors for such purposes).

We expected that the Trustees would have a fair and equitable method of allocating money to all First Nations in Saskatchewan. To ensure that the First Nations use that money for the objectives described in the Act, we expected the Trustees would ask the First Nations to provide project proposals to the Trustees. Such project proposals would set out what the First Nations planned to achieve for their people and how they planned to spend the money. We also expected the Trustees to have a process in place to monitor how well the First Nations achieved the planned objectives and to monitor the use of the money. Also, we expected the Trustees to have rules and procedures to ensure that the First Nations safeguard the money they receive from the Trustees until the money is spent. These expectations are common practices for Saskatchewan government agencies.

The Trustees paid money to the First Nations on a per capita basis using the membership of each First Nation. We think allocation to the First Nations on per capita basis is a fair and equitable method. The Trustees paid \$10.7 million to the First Nations in Saskatchewan for the year ended March 31, 2000 (1999 - \$13.5 million; 1998 - \$6.2 million; 1997 - \$0.7million). The Trustees, however, did not place any conditions on the money they paid to the First Nations. Nor did the Trustees do any procedures to ensure the First Nations spent the money for the purposes described in the Act.

As a result, we are unable to determine if the money the Trustees paid to the First Nations was used for the purposes set out in the law.

- 5. We recommend that the Trustees of the First Nations Fund should establish rules and procedures to ensure the First Nations (bands) only use the money received from the Trustees for the purposes described in *The Saskatchewan Gaming Corporation Act*.**

***Ensuring that the money the Trustees give to the FSIN is spent for the purposes intended***

The Trustees paid the FSIN the following amounts in each of the last four years for the First Nations Addictions Rehabilitation Foundation, the

Saskatchewan Indian Veterans Association, and for the administration of the Fund.

**First Nations Addictions Rehabilitation Foundation (Foundation)**

1997	\$	186,030
1998		270,173
1999		764,350
2000		<u>944,350</u>
Total	\$	<u>2,164,903</u>

**Saskatchewan Indian Veterans Association (Association)**

1998	\$	35,500
1999		35,500
2000		<u>69,750</u>
Total	\$	<u>140,750</u>

**Fund Administration**

1997	\$	48,919
1998		131,913
1999		100,000
2000		<u>100,000</u>
Total	\$	<u>380,832</u>

We expected that the Trustees would have asked the FSIN to provide the Trustees with the business plans for those organizations who requested money from the Trustees. Such business plans would set out what the organizations intended to achieve and how they planned to use the money requested. We also expected that the Trustees would have a process to monitor how successfully those organizations achieved the planned objectives and to monitor the use of the money. Also, we expected that the Trustees would have rules and procedures to ensure the recipient organizations safeguarded the money they received from the Trustees until the money is spent.

**Payments to the Foundation**

The Framework Agreement required the FSIN to establish a charity that would work in co-operation with government agencies to ensure that effective and accessible prevention and treatment programs for gambling addictions are available to First Nations people. The Trustees paid nearly

\$2.2 million to the FSIN for the Foundation. The Trustees could not provide us with any information relating to the operations of the Foundation and what programs the Foundation provided to the First Nations people. The Trustees need to ensure that the money they paid to the FSIN for the Foundation is used for the purposes of the Foundation and that the Foundation is co-operating with government agencies. As a result, we are unable to determine if the money the Trustees paid to the FSIN for the Foundation was used for the purposes set out in the law.

### **Payments to the Association**

Section 20(1) of the Act authorizes the Trustees to make payments for senior and youth programs. The Trustees paid \$140,000 to the FSIN for the Association. However, the Trustees could not provide us with any information about the objectives of the Association and the nature of programs it provides to First Nation veterans. Nor could they provide written evidence that the money they gave the FSIN for the Association was used for the purposes of the Association. As a result, we are unable to determine if the money the Trustees paid to the FSIN for the Association was used for the purposes set out in the law.

### **Fund Administration**

The Act states that the pay and the expenses of the Trustees and the necessary expenses of administering the Fund are a charge on and payable out of the Fund.

The Trustees paid the FSIN money for the administration of the Fund. We expected that the Trustees would have made an agreement with the FSIN setting out what administrative duties the Trustees required the FSIN to do and a process for reimbursing the FSIN for the expenses it incurred on the Trustees' behalf. The Trustees did not have a written agreement with the FSIN. Also, the Trustees did not have any evidence supporting payments to the FSIN for administration of the Fund. The Trustees did not have details of the nature of expenses incurred by the FSIN on behalf of the Trustees. As a result, we are unable to determine if the money the Trustees paid to the FSIN for administration complied with the law. Also, we do not know how much, if any, the Trustees received as pay and expenses from the Fund.

6. **We recommend that the Trustees of the First Nations Fund should establish rules and procedure to ensure recipient organizations only use the money received from the Trustees for the purposes described in *The Saskatchewan Gaming Corporation Act* and the Framework Agreement.**

In a letter dated May 3, 2001 to our Office, the Trustees told us:

.... the Trustees (in their capacity as Chiefs) have had access to reports from the Foundation, Association, the FSIN itself, and other recipients of Trust money and therefore, have assured themselves that the proceeds of the Trust for these purposes were expanded in accordance with the purposes allowed under the Trust Indenture.

The Trustees intend to take steps to ensure that the fee paid for administration of the trust by the FSIN is properly documented.

***Certain transactions not permitted under the law***

Earlier, we said we are unable to determine whether the Trustees complied with the laws governing the Fund's activities. However, during our work, we found certain transactions that are not permitted under section 20 (1) of *The Saskatchewan Gaming Corporation Act* (Act). Section 20(1) of the Act authorizes the Trustees to make payments out of the Fund for the purposes described in that section.

During the years ended March 31, 1998 and 1999, the Trustees made the following payments:

**1998**

National Assembly travel subsidy payments to the First Nations	\$ 138,000
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**1999**

Contribution to the FSIN Senate	\$ 144,000
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**National Assembly travel subsidy payments to First Nations**

In 1998, the Trustees paid \$2,000 to each First Nation to subsidize the cost of travel to an Assembly of First Nations' general meeting. The Trustees paid \$138,000 to the First Nations for the travel subsidies.

Section 20(1) of the Act does not permit such payments. Accordingly, these payments are without authority.

**Contribution to the FSIN Senate**

In 1999, the Trustees paid the FSIN \$144,000 for a contribution to the FSIN Senate “to ensure the continuation of the senate's mandate.” Section 20(1) of the Act does not authorize the Trustees to make this payment. Accordingly, this payment is without authority.

**7. We recommend that the Trustees of the First Nations Fund ensure that all payments comply with the law.**

In a letter dated May 3, 2001 to our Office, the Trustees told us that both of these payments are properly made in accordance with allowable payments.

***Public Accountability - preparation of an annual report***

To assess the performance of an organization that uses public money, the Legislative Assembly and the public need to know what the organization is all about, how it manages its key risks, what it has done, where it is now, and what it plans to do. They also need information about the organization's goals and objectives and how successful the organization has been in achieving those objectives.

Most public sector organizations publish annual reports. Those annual reports, although still needing improvement, have much of the information the Legislative Assembly and the public need to assess the organizations' performance. The organizations also provide a list of persons who received money from them and the amount each person received.

Public disclosure of who received money from agencies handing public money is important for three reasons. First, public disclosure serves to remind officials that they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision-making as it ensures that those who spend public money know that their use of that money will be public. Third, public disclosure ensures that the public knows who has received their money.

The Trustees of the Fund do not prepare an annual report. The Trustees have their annual audited financial statements tabled in the Legislative Assembly. However, financial statements alone do not provide all the information the public needs to assess the Fund's performance. Public support for organizations increases when they are fully transparent and provide performance information to the public and other stakeholders.

**8. We recommend that the Trustees of the First Nations Fund prepare an annual report that includes:**

- ◆ **the Fund's audited financial statements;**
- ◆ **the Fund's goals and objectives;**
- ◆ **the Fund's planned and actual performance;**
- ◆ **the Fund's risks and how the Trustees are managing those risks; and**
- ◆ **a list of persons and organizations that have received money from the Fund and the amounts each person and organization received.**

In a letter dated May 3, 2001 to our Office, the Trustees told us that they will take this recommendation under advisement and will give it full consideration.

## **Saskatchewan Archives Board**

The Saskatchewan Archives Board (Board) is responsible for acquiring and preserving documents relating to the history of Saskatchewan. The Board also provides access to these documents to the public for research.

The Board had revenue of \$2.8 million in 2000 and had an investment in tangible capital assets of \$0.15 million at March 31, 2000. The Board's annual report includes its financial statements.

The following section sets out the status of a previously reported outstanding recommendation.

## **Status of previous recommendation on written contracts**

In Chapter 6A of our 1999 Fall Report – Volume 2, we recommended that the Board should have written contracts with the University of Saskatchewan (U of S) and Saskatchewan Property Management Corporation (SPMC) to ensure both parties clearly understand and accept their responsibilities and enable monitoring of fulfilling the responsibilities. In October 1998, The Standing Committee on Public Accounts considered this matter and concurred with our recommendation.

The U of S provides the Board with office space as well as administrative and accounting services. SPMC rents office space to the Board. These arrangements are not set out in written contracts.

## **Saskatchewan Housing Corporation**

The Saskatchewan Housing Corporation (Corporation) operates under the authority of *The Saskatchewan Housing Corporation Act (Act)*. The Corporation facilitates and promotes the availability of adequate and affordable housing for all Saskatchewan residents.

The Corporation prepares consolidated financial statements to report on its activities and the financial activities of the 281 public housing authorities it controls.

Public housing authorities are corporations established by ministerial order under the Act. The Minister in charge has the legislative authority to appoint the members of each public housing authority. Also, the Act provides that public housing authorities must comply with policies established by the Corporation. These housing authorities provide community-based management for housing projects.

In 2000, the Corporation had revenues of \$158.2 million including \$67.3 in revenue from projects managed by the public housing authorities. The Corporation had expenditures of \$160.2 million including operating expenditures of \$75.8 million incurred by the public housing authorities. At December 31, 2000, the Corporation held assets of \$298 million.



## Tabling of financial statements

The Corporation does not table the audited financial statements for public housing authorities in the Legislative Assembly.

Currently, there are 281 public housing authorities. Every housing authority is subject to an audit of its financial operations. Twenty housing authorities are administered individually and prepare separate financial statements. The remaining authorities are included, for financial administration purposes, in eight housing territories. The territories maintain centralized accounting systems and prepare financial statements reporting the combined financial assets and liabilities and the combined results of operations for the housing authorities included in the territory.

Public accountability is strengthened when the Government tables the financial statements of all government organizations in the Legislative Assembly. When financial statements are tabled, they are made public and reviewed by a committee of the Assembly. If the Government tables the audited financial statements of the public housing authorities and housing territories, the Assembly and the public can review the performance of the housing authority territories.

In Chapter 4 of our 1991 Annual Report, we recommended that all government corporations table annual financial statements in the Legislative Assembly. In March 1993, the Standing Committee on Public Accounts (PAC) concurred with our recommendation.

In Chapter 6 of our 1996 Fall Report, we recommended that the Government provide the Legislative Assembly with the financial statements of all government agencies. In February 1998, PAC reviewed these recommendations and agreed that the spirit of accountability is an important fundamental of government but PAC would deal with agencies on an individual basis as raised in the Report of the Provincial Auditor.

- 9. We continue to recommend that Saskatchewan Housing Corporation provide the Assembly with the audited financial statements of each of the 20 housing authorities and the eight housing authority territories.**

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