

Intergovernmental and Aboriginal Affairs

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Executive summary

The Department supervises the First Nations Fund, the Métis Development Fund, and the Government House Foundation. In this chapter, we report that the Department does not have appropriate processes to ensure the First Nations Fund spends public money properly.

The Trustees of each Fund and the Board of the Foundation are responsible to the Minister of Aboriginal Affairs. Accordingly, the Department must ensure that each agency understands and accepts its responsibilities. Then, it must hold each agency accountable. In particular, the Department must take steps to ensure that it and its agencies spend public money only as permitted by the law and agreements.

The Department should take prompt action to change the spending practices of the Trustees of the First Nations Fund. In Chapter 8 of our 2001 Fall Report – Volume 2, we recommended that the Trustees should set up processes to know First Nations and the FSIN spend money that they receive from the Fund as permitted by the law.

Unfortunately, up to October 2002, the Trustees have not changed their practices. The Trustees continue to make payments without knowing if First Nations and the FSIN spend the money only for authorized purposes. The Trustees also continue to make other payments not permitted by law. In addition, we report that the First Nations Fund needs to provide legislators and the public with an annual report.

We report that generally the Métis Development Fund is well managed. We make one recommendation to help it avoid conflict of interest situations. We also report that the Métis Development Fund needs to improve its annual report.

We also highlight steps that the Department has taken to obtain information to enable it to monitor and report progress toward achieving the goals set out in *A Framework for Cooperation*. This is a key government strategy to improve the long-term future of Métis and off-reserve First Nations people and increase their participation in the Saskatchewan economy.

Introduction

In this chapter, we set out:

- ◆ a brief overview of the Department's mandate and spending;
- ◆ the status of the Department's coordination of *A Framework for Cooperation*; and
- ◆ the results of our 2002 audits of the Department and the various Crown agencies for which it is responsible.

Understanding the Department

The mandate of the Department is to coordinate, develop, and implement the Government's policies and programs: governing relations between other provincial, federal, or international governments or governing organizations; and relating to the social development and economic development of the First Nations and Métis peoples.

The Department's web site contains its annual reports, other key publications and agreements and further information about its programs. It is located at <http://www.graa.gov.sk.ca/>.

Related special purpose funds and agencies

The Department is responsible for the following special purpose funds and agencies:

	<u>Year end</u>
Métis Development Fund (operates as the Clarence Campeau Development Fund)	December 31
First Nations Fund	March 31
Government House Foundation	March 31

Each special purpose fund tables separate financial statements in the Legislative Assembly each year. The Foundation and the Métis Development Fund table annual reports including their audited financial statements in the Assembly.

Overview of Department spending

The Public Accounts 2001-2002: Volume 2: Details of Revenue and Expenditure (2001-2002 Public Accounts – Volume 2) reports information about the Department's revenue and expenses (to view a copy of this report, see <http://www.gov.sk.ca/finance/paccts>).

The following is a list of major programs and spending reported in 2001-2002 Public Accounts – Volume 2:

	<u>Original Estimates</u>	<u>Actual</u>
	(In millions of dollars)	
Administration	\$ 1.1	\$ 1.2
Accommodation and Central Services	1.2	1.6
Provincial Secretary	2.2	2.4
Intergovernmental Affairs	3.1	2.6
Aboriginal Affairs	38.8	44.1
	<u>\$ 46.4</u>	<u>\$ 51.9</u>

Spending on Aboriginal Affairs includes \$18.8 million for payments under the Treaty Land Entitlement agreements, \$18.9 million for payments under the First Nations gaming agreements, \$2 million to the Métis Development Fund, and \$1.2 million to municipalities and school divisions as compensation for tax loss.

Effective April 1, 2002, the Department amalgamated its programs along with the municipal programs of the former Department of Municipal Affairs and Housing into the Department of Government Relations and Aboriginal Affairs.

Coordinating action across government—a follow-up

Background

In Chapter 8B of our 2001 Fall Report – Volume 2, we reported on our audit of the adequacy of the Department's processes to coordinate action on the goals set out in *A Framework for Cooperation: Practical Approaches to Issues Affecting Métis and Off-Reserve First Nations*

*People in Saskatchewan.*¹ *A Framework for Cooperation* sets out four goals (see Exhibit 1). These goals aim to improve the long-term future of Métis and off-reserve First Nations people and increase their participation in the Saskatchewan economy. Métis and First Nations people make up an increasing proportion of Saskatchewan's workforce.

Exhibit 1

- Goals set out in A Framework for Cooperation*
1. Enhance the successful entrance and completion of primary, secondary, and post-secondary education for Métis and off-reserve First Nations people.
 2. Prepare Métis and off-reserve First Nations people to participate in a representative provincial workforce.
 3. Ensure representative workforce participation by Métis and off-reserve First Nations people in the provincial economy.
 4. Improve the individual and community well being of Métis and off-reserve First Nations people.

The Department is responsible for coordinating actions of 12 government departments that contribute towards the achievement of the Framework's goals.

In 2001, we reported that the Department had built a sound foundation to coordinate action across government on the goals set out in *A Framework for Cooperation*. At that time, not all processes worked well to help the Department coordinate action across the participating departments.

We recommended that the Department establish processes to obtain regular, written reports from the participating departments on their actions. These reports would help the Department to monitor progress, and to decide how to coordinate future action. Written reports would make it possible to report progress toward achieving the goals set out in *A Framework for Cooperation*.

On November 5, 2002, the Standing Committee on Public Accounts agreed with this recommendation.

¹ *A Framework for Cooperation: Practical Approaches to Issues Affecting Métis and Off-Reserve First Nations People in Saskatchewan*. <http://www.graa.gov.sk.ca/aboriginal>.

Annual written reports expected

In this section, we provide an update on actions the Department has taken on the above recommendation since our report in the fall of 2001.

Effective March 2002, Cabinet required participating departments to submit written reports annually to the Department on actions taken to achieve the goals and objectives set out in *A Framework for Cooperation*.

In July 2002, the participating departments submitted their first annual reports to the Department. The Department, along with the committee of participating departments, used these written reports to analyze progress on the action plan.

During October 2002, the Department expected participating departments to use these written reports to help them decide what actions to take in future to advance progress toward the goals in *A Framework for Cooperation*.

The Department is using the reports to monitor what is done, what is not done (and why), and what requires more follow-up action or coordination to achieve its objectives.

We will continue to monitor how the Department uses the written reports to coordinate sustained action on *A Framework for Cooperation* and manage the risk of inaction. In particular, we will monitor how the Department evaluates actions taken and compares progress to planned results. This will help the Department to coordinate useful information for Cabinet decisions.

Audit conclusions and findings

This section contains our audit conclusions and findings for the Department and its agencies for the fiscal years ending March 31, 2002 and December 31, 2001.

To carry out the audit and form the opinions below for the First Nations Fund and the Métis Development Fund, our Office worked with KPMG LLP, the appointed auditor for the First Nations Fund, and with Deloitte & Touche LLP, the appointed auditor for the Métis Development Fund. We

worked together using the framework recommended in the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors* (to view a copy of this report, see our web site at <http://www.auditor.sk.ca/rrd.html>).

In our opinion:

- ◆ **the following financial statements are reliable:**
 - **for the year ended December 31, 2001**
 - **Métis Development Fund**
 - **for the year ended March 31, 2002:**
 - **First Nations Fund**
 - **Government House Foundation;**

- ◆ **the Department, the Métis Development Fund and Foundation had adequate rules and procedures to safeguard and control public money and comply with authorities governing their activities except for the matters reported in this chapter;**

- ◆ **the Department, the Métis Development Fund and Foundation 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;**

- ◆ **the First Nations Fund did not have adequate rules and procedures to safeguard and control public money because of matters reported in this chapter; and**

- ◆ **we were unable to determine if the Trustees of the First Nations Fund complied with authorities related to the Fund's financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing because of matters reported in this chapter.**

Detailed audit findings of the Department

Better monitoring and supervision needed

The Department provides the First Nations Fund and community development corporations (CDCs) with money for social and economic

development programs for First Nations people. The Department does not have appropriate processes to ensure that the Fund and CDCs spend these monies for these purposes.

Under Agreement with The Federation of Saskatchewan Indian Nations (Framework Agreement), the Department pays a portion of gaming profits to CDCs. The Framework Agreement restricts the purposes for which the CDCs can spend these monies and requires the CDCs to have adequate processes to properly account for and control these monies. Also, the Framework Agreement requires CDCs to provide the Department with audited reports each year. The purpose of these reports is to provide the Department with audited information that shows whether the CDCs spent the money for the purposes set out in the Agreement and have used appropriate processes to manage and account for the monies. Using these reports, the Department could determine if the CDCs spent the monies as required and take corrective steps, as necessary. For the year ended March 31, 2002, the Department provided three CDCs with \$3.9 million (2001-\$1.1 million to one CDC).

Because the CDCs have a March 31 year end, the Department expects to receive the audited reports (required under the Framework Agreement) from them in the next fiscal year. In 2001-2002, it expected to receive audited reports from the one CDC who received money. It did not. By October 2002, the Department received audited 2002 financial statements from another one of the three CDCs who received money. The Department had not yet received any of the other expected reports or taken action to ensure their timely receipt.

In addition, the Department pays a portion of gaming profits to the First Nations Fund. *The Saskatchewan Gaming Corporation Act (Act)* makes the Trustees of the Fund directly accountable to the Minister of Aboriginal Affairs who is in turn accountable to the Assembly for the operations of the Fund. In addition, the Act restricts the use of these public monies.

For the year ended March 31, 2002, the Department provided the Fund with \$15.1 million (2001-\$11.2 million). The Department must have adequate processes to ensure that the Fund spends this money for the purposes intended. In addition, the Department must ensure that the Trustees of the Fund understand and accept that they have a duty of care to manage public money properly. It must monitor the Fund's activities to

ensure the Fund is operated with due care. The Department needs to receive information from the Fund and undertake steps, throughout the year, that would allow it to achieve this.

In 2001-2002, the Department met and corresponded with the Chair of the First Nations Fund to ensure that appropriate accountability mechanisms were in place for the First Nations Fund. The First Nations Fund:

- ◆ agreed to establish rules and procedures in relation to the Fund; and
- ◆ agreed to provide the Department with reports from recipients organizations about the use of monies received from the Fund.

For the year ended March 31, 2002, the Department did not receive the information necessary to monitor the activities of the Fund. As explained later in this chapter, the Trustees continue to spend public money without knowing if these monies are being spent for the purposes intended. The Department needs to act promptly to change the Trustee's spending practices.

We continue to recommend that the Department supervise the Trustees of the First Nations Fund to ensure that the Trustees spend public money with due care and in accordance with the provincial legislation. On November 5, 2002, the Standing Committee on Public Accounts (PAC) concurred with this recommendation.

1. **We recommend that the Department ensure that it receives sufficient and timely information from each community development corporation to allow the Department to determine if the corporation properly managed, accounted for, and spent the monies provided by the Department only as permitted by the agreement.**

In October 2002, the Department advised us that it is establishing processes to ensure it receives the information necessary to determine that the Fund and CDCs spend public money only as permitted.

Detailed audit findings of the First Nations Fund

The Saskatchewan Gaming Corporation Act (Act) established the First Nations Fund (Fund). Cabinet appoints the Trustees of the Fund as nominated by the Federation of Saskatchewan Indian Nations (FSIN).

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

The Trustees are accountable to the Minister of Aboriginal Affairs for the proper administration of the Fund. The Minister is accountable to the Assembly for the proper administration of the Fund.

For the year ended March 31, 2002, the Fund had revenues of \$14.4 million (2001-\$11 million) and expenses of \$14.4 million (2001-\$11 million). The Fund receives almost all of its revenue from the Department. The Department gave the Legislative Assembly the Fund's financial statements for the year ended March 31, 2002.

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

Lack of progress towards implementing our recommendations

In our 2001 Fall Report – Volume 2, we made the following recommendations.

- ◆ The Trustees should establish rules and procedures to ensure that the First Nations use the money received from the Trustees only for the purposes described in *The Saskatchewan Gaming Corporation Act*.
- ◆ The Trustees should establish rules and procedures to ensure that recipient organizations (e.g., First Nations Addictions Rehabilitation Foundation) use the money received from the Trustees only for the purposes described in *The Saskatchewan Gaming Corporation Act* and the Framework Agreement.

- ◆ The Trustees should ensure that all payments comply with the law; and
- ◆ The Trustees should 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 amount each person or organization received.

We released our 2001 Fall Report – Volume 2 in December 2001. The following describes what the Trustees have done since December 2001 up to October 30, 2002 to implement our above recommendations. We had expected that by now the Trustees would have established rules and procedures to ensure the First Nations and other recipient organizations (i.e., First Nations Addiction Rehabilitation Foundation, Saskatchewan Indian Veterans Association) spend the money for the purposes described in the law. Also, we had expected the Trustees would have established processes to ensure all payments from the Fund comply with the law. The Trustees have not done so.

Management told us in November 2002 that the Trustees continue to work towards strengthening the Fund's accountability framework. Also, the Chair of the Trustees told us that the Trustees continue to seek ways to ensure that funds are spent for the approved purposes.

The Trustees received work plans for 2001-2002 from two recipient organizations, the First Nations Addictions Rehabilitation Foundation and the Saskatchewan Indian Veterans Association. However, both of these work plans are inadequate. Later in this chapter, we describe why those plans are inadequate.

Management told us that the Fund received reports from some First Nations providing some information on what these First Nations did with the money they received from the Trustees for the year ended March 31, 2002. We examined two of the reports the Fund received. The reports that we examined are not adequate because they do not show the

objectives for spending the Fund's money and how successfully they achieved those objectives. While this is a step in the right direction, the Trustees need to clearly communicate what projects they have approved and what information they require from First Nations to monitor if First Nations spend the Fund's money on approved projects.

On March 27, 2002, the Trustees wrote to all 73 First Nations stating that work plans will be required to support future payments from the Fund.

The Trustees did not receive and approve any work plans from First Nations but continue to pay money to them. The Trustees must stop spending public money without ensuring the money is used for the purposes set out in the law. Also, we expect the Department to take action promptly to change the Trustees' spending practices.

We note two other Funds set up under *The Saskatchewan Gaming Corporation Act* (Community Initiatives Fund and Métis Development Fund) have established appropriate processes to ensure the public money that they spend is used for the purposes set out in the law.

The following section describes our audit findings for the year ended March 31, 2002.

Trustees must ensure that First Nations use the money they receive from the Fund for the purposes described in the Act

The Trustees need rules and procedures to ensure that First Nations use the money they receive from the Fund for the purposes described in *The Saskatchewan Gaming Corporation Act*. Also, the Trustees need rules and procedures to ensure that First Nations properly safeguard the money they receive from the Trustees until it is spent.

Section 20(1) of the Act authorizes the Trustees to make payments from the Fund to First Nations 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 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 the Trustees to have a fair and equitable method of allocating money to First Nations in Saskatchewan. To ensure that First Nations use that money for the objectives described in the Act, we expected the Trustees would ask First Nations to provide project proposals to the Trustees. Such project proposals would set out what First Nations planned to achieve and how they planned to spend the money. We also expected the Trustees to monitor how well First Nations achieved the planned objectives and to monitor the use of the money. In addition, we expected the Trustees to have rules and procedures to ensure that 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 allocate money to First Nations on a per capita basis using the membership of each First Nation. Allocation to First Nations on a per capita basis is a fair and equitable method. The Trustees paid \$12.5 million to First Nations in Saskatchewan for the year ended March 31, 2002. In a letter dated March 27, 2002 to First Nations, the Chair of the Trustees reminded First Nation Chiefs that they could only use the money that they received from the Fund for specific purposes. The letter listed those purposes. The purposes listed were consistent with the Act. However, the Trustees did not receive project proposals setting out what First Nations planned to achieve before giving them money. Also, the

Trustees did not receive reports on what First Nations achieved and where the money was spent. Accordingly, the Trustees did not do any procedures to ensure that First Nations spent the money for the purposes described in the Act. As a result, the Trustees do not know if First Nations spent the money for the purposes set out in the law.

Because the Trustees did not properly carry out their responsibilities, we are unable to determine whether the public money paid to First Nations was spent for the purposes set out in the law.

We continue to recommend that the Trustees establish rules and procedures to ensure First Nations use the money received from the Trustees only for the purposes described in *The Saskatchewan Gaming Corporation Act*.

PAC considered this matter on November 5, 2002 and concurred with our recommendation.

Trustees must ensure that the FSIN uses the money it received from the Fund for the approved purposes

The Trustees need rules and procedures to ensure that the FSIN uses the money it received from the Trustees for the approved purposes.

The Trustees paid the FSIN the following amounts for the First Nations Addictions Rehabilitation Foundation (Foundation), the Saskatchewan Indian Veterans Association (Association), and for the administration of the Fund.

	<u>2002</u>	<u>2001</u>
Foundation	\$ 944,350	\$ 944,350
Association	150,000	71,250
Administration	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 1,194,350</u>	<u>\$ 1,115,600</u>

We expected the Trustees to have asked the FSIN for the business plans for those organizations requesting 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 processes to monitor: how successfully

those organizations achieved the planned objectives, the use of the money, and the organizations' progress towards their objectives. In addition, we expected that the Trustees would have rules and procedures to ensure that the recipient organizations safeguarded the money they received from the Trustees until the money was spent.

Payments for the Foundation

The Framework Agreement requires 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. During the year, the Trustees paid \$944,350 to the FSIN for the First Nations Addictions Rehabilitation Foundation. The Trustees received a work plan for the Foundation. However, the work plan is inadequate because it does not include a complete financial plan (budget) setting out the resources the Foundation requires to carry out the work plan and to meet its objectives. Also, we did not see evidence the Trustees reviewed and approved the work plan. In addition, the Trustees did not have processes to monitor the actual results compared to the objectives outlined in the work plan.

The Trustees need a complete budget and progress report from the Foundation. The progress report should set out the Foundation's progress towards its approved objectives and where it spent the money.

The Trustees' rules and procedures were not sufficient to know that the money they paid to the FSIN for the Foundation was 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 whether the money the Trustees paid to the FSIN for the Foundation was used for the purposes set out in the law and the Framework Agreement.

Payments for the Association

Section 20(1) of the Act authorizes the Trustees to make payments for senior and youth programs. During the year, the Trustees paid \$150,000 to the FSIN for the Saskatchewan Indian Veterans Association. The Trustees received a work plan for the Association. However, the work plan is inadequate because it does not include timelines for achieving the objectives or a financial plan (budget) setting out the resources the

Association requires to carry out the work plan and to meet its objectives. Also, we did not see evidence the Trustees reviewed and approved the work plan. In addition, the Trustees did not have processes to monitor the Association's actual results compared to its approved objectives.

The Trustees need a complete work plan from the Association including timelines for achieving the Association's objectives, and a complete budget. The Trustees also need a progress report from the Association setting out the Association's progress toward achieving the approved objectives and where it spent the money.

The Trustees' rules and procedures were not sufficient to know whether the Association used the money as set out in the law. As a result, we are unable to determine whether the money the Trustees paid to the FSIN for the Association was used for the purposes set out in the law.

Payments for the fund administration

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

During the year, the Trustees paid the FSIN \$100,000 to administer the Fund. We expected that the Trustees would have an agreement with the FSIN setting out the administrative duties that the Trustees required the FSIN to do and a process for paying the FSIN for the expenses it incurred for the Trustees.

The Trustees made a written agreement in December 2001 with the FSIN setting out the administrative duties that the Trustees required from the FSIN. The Agreement requires the Trustees to pay an amount not exceeding \$100,000 to the FSIN for the following budgeted expenses.

	<u>2002 Budget</u>
Salaries Benefits	\$ 16,621
Staff Travel	1,500
Professional Fees	1,133
Legal Fees	3,500
Operations	61,337
Non-staff Travel	<u>15,909</u>
Total	<u>\$ 100,000</u>

The Agreement requires the FSIN to apply the payment only to the specified expenditure. However, the Trustees did not have documents supporting the actual expenses that the FSIN incurred for administration of the Fund. As a result, we are unable to determine whether 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.

We continue to recommend that the Trustees establish rules and procedures to ensure that recipient organizations use the money received from the Trustees only for the purposes described in the *Saskatchewan Gaming Corporation Act* and the Framework Agreement.

PAC considered this matter on November 5, 2002 and concurred with our recommendation.

Payments not permitted under the law

Earlier, we said that we are unable to determine whether the Trustees complied with the laws governing the Fund's activities. During our work, however, we found certain transactions that section 20(1) of *The Saskatchewan Gaming Corporation Act* does not permit. 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 year, the Trustees made the following payments that are not permitted by the Act.

Painted Hand Community Development Corporation:		
Retroactive payment for share of casino profits	\$	584,402
White Bear First Nation:		
Payments for historical gaming costs		<u>100,000</u>
Total	\$	<u>684,402</u>

Painted Hand Community Development Corporation – Retroactive payment for share of casino profits

During the year, the Trustees paid \$584,402 to the Painted Hand Community Development Corporation (Corporation). The Trustees approved this payment. Neither the Act nor the Framework Agreement permits the Trustees to make payments to community development

corporations (CDCs). Accordingly, the \$584,402 payment to the Corporation is without authority.

Management told us the payment represents 25% of the past net profits of the Painted Hand Casino (Yorkton).

First Nations established CDCs pursuant to an amendment to the Framework Agreement. Under the amended Agreement, a CDC can receive, from the Department, 25% of the net profits of a casino that is located on a reserve in that community. As required under the amended Framework Agreement, the Department paid \$1,250,000 in 2001-2002 (\$1,098,846 in 2000-2001) directly to the Corporation. The law authorizes the Department to make such direct payments to the Corporation.

White Bear First Nation – Payment for historical gaming costs

During the year, the Trustees paid \$100,000 to the White Bear First Nation (White Bear) described as historical gaming costs related to the planning and development of the Bear Claw Casino.

In 2001, the Trustees approved a total of \$300,000 for payments to White Bear over three years for those historical gaming costs and paid \$100,000 during the year ended March 31, 2001. During the year ended March 31, 2002, the Trustees approved and paid another \$100,000 to White Bear. Section 20(1) of the Act does not authorize the Trustees to make payments to the First Nations for the planning and development of casinos. Accordingly, the \$100,000 payment to White Bear is without authority.

We continue to recommend that the Trustees ensure that all payments comply with the law.

PAC considered this matter on November 5, 2002 and concurred with our recommendation.

Better public accountability required

To assess the performance of the Fund, 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. The

Legislative Assembly and the public also need information on the Fund's goals and objectives and information on the Fund's performance towards achieving those objectives.

Most public sector organizations publish annual reports. Those annual reports, although still needing improvement, provide 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 that each person received.

Public disclosure of who received money from agencies spending 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 give the Fund's annual audited financial statements to the Legislative Assembly. Financial statements alone do not provide all of 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.

We continue to recommend that the Trustees 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 who have received money from the Fund and the amounts each person and organization received.

PAC considered this matter on November 5, 2002 and concurred with our recommendation.

Detailed audit findings of the Métis Development Fund

The Saskatchewan Gaming Corporation Act authorizes the Minister of Aboriginal Affairs to designate any Fund operated by the Métis Nation of Saskatchewan Secretariat Incorporated (MNS) as the Métis Development Fund provided:

- ◆ the Fund is governed in accordance with the bylaws of the MNS;
- ◆ a management board (Board of Directors) has been appointed pursuant to the Act to manage and operate the Fund; and
- ◆ the MNS and the Government of Saskatchewan have made an agreement in accordance with the Act respecting the management and operation of the Fund.

On November 9, 2001, the Minister designated the Clarence Campeau Development Fund operated by MNS as the Métis Development Fund. Earlier, on June 11, 1997, the Minister of Economic & Co-operative Development (Government of Saskatchewan) and the MNS made an Agreement (1997 Agreement) for the management and operation of the Fund. A Board of Directors established by the 1997 Agreement administers the Fund.

Under the 1997 Agreement, the Board of Directors consists of nine members. MNS appoints five voting members and two non-voting members to the board. The Minister appoints the remaining two non-voting members.

The purpose of the Fund is to provide loans to qualifying Métis businesses, support community development initiatives, develop the management skills of Métis business owners and entrepreneurs, and pay for the administrative expenses incurred in operating the Fund.

In 2001, the Fund had total revenue of \$2.3 million (including \$2 million from the Department), expenses of \$0.9 million, and net income of \$1.4 million. At December 31, 2001, the Fund held assets of \$8.1 million.

The Fund's 2001 financial statements are included in the Annual Report of Clarence Campeau Development Fund.

Code of conduct and conflict of interest policies needed

Organizations should have a code of conduct (shared ethical values) and communicate that code to their board members and employees. A code of conduct influences all behaviour in the organization and sets out the organization's expectations concerning behaviour. The code of conduct should extend not only to specific areas where society's expectations are included in the law, but also to issues of general morality². The organizations should then ask their board members and employees periodically to confirm their understanding and compliance with the approved code of conduct.

To fulfil their fiduciary obligations, the Board of the Métis Development Fund must avoid any real or perceived conflicts of interest. They must understand that their primary duty is to act in the best interest of the Fund. In addition, they must place the interests of the Fund ahead of their own interests or interests of any of their associates. The Fund has an appropriate code of conduct and conflict of interest policy for its Board members.

The Board's minutes should document the nature of any Board member's conflict of interest and how the Board resolved it. Such documentation would be helpful for maintaining public confidence, especially in case of controversy about the Board's actions.

To ensure that it deals with all conflicts and perceived conflicts, the Board should adopt a policy requiring the declaration of conflicts at each meeting before approving the agenda. The Board should then document in the minutes whether it faced any conflict of interest issues and how it dealt with them.

The Board allows its members to apply for loans from the Fund for qualifying projects. At December 31, 2001, some Board members owed the Fund \$161,329 for outstanding loans. However, during the year, we saw no evidence of any new project proposals from any Board members.

² *Guidance for Directors – Governance Processes for Control* by The Canadian Institute of Chartered Accountants.

The Fund did not have a code of conduct or a conflict of interest policy for its employees. The Fund should establish a code of conduct and a conflict of interest policy for its employees.

2. We recommend that the Board:

- ◆ **establish a conflict of interest policy for the Fund’s employees;**
- ◆ **establish a code of conduct for the Fund’s employees; and**
- ◆ **establish rules and procedures to monitor compliance with the code of conduct and conflict of interest policies.**

Public accountability needed

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. The Legislative Assembly and the public need information on the organization’s goals and objectives, the key risks that the organization faces, and information on how the organization manages those risks. Also, the Assembly and the public need information on the organization’s progress towards achieving its objectives.

Most public sector organizations publish annual reports. Those annual reports, although still needing improvements, provide information that the Legislative Assembly and the public need to assess the organizations’ performance. Most public 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 public agencies 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 Fund prepares an annual report. The 2001 Annual Report contains information on the Fund's mission, vision, and its guiding principles. The annual report also describes the Fund's goals and objectives, and includes its audited financial statements. However, the Annual Report does not include:

- ◆ the Fund's planned and actual performance;
- ◆ information on the key risks the Fund faces and management of those key risks; and
- ◆ a list of persons who received money from the Fund and the amount each person received following the standards used by other public sector agencies.

We encourage the Board to improve its public accountability by including the above information in its annual report. Public support for organizations generally increases when they are fully transparent.

3. We recommend the Fund should include in its annual report:

- ◆ **the Fund's planned and actual performance;**
- ◆ **the Fund's risks and how the Fund is managing those risks; and**
- ◆ **a list of persons and organizations who have received money from the Fund, excluding repayable loans, and the amounts for each person and organization.**

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