

Government Relations and Aboriginal Affairs

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Main points

The Department uses special purpose funds and agencies (agencies) to carry out its responsibilities. It is critical that the Department make certain these agencies are managed properly. The Department has three agencies with years ending on December 31, 2003. In this chapter, we report significant breakdowns in the management of one of these agencies – the Northern Revenue Sharing Trust Account (NRSTA).

In our last report, we reported concerns about NRSTA and recommended changes. NRSTA has not yet made the necessary changes. In this chapter, we raise additional concerns. The Department has not sufficiently supervised the operations of NRSTA. We note concerns about NRSTA's processes to plan, account for its activities, prepare financial statements, train its staff, and report on its results. We strongly encourage the Department to work closely with NRSTA to address these concerns soon.

Through initiatives such as the Aboriginal Employment Development Program and the *Strategy for Métis and Off-Reserve First Nations People*, the Department works with Aboriginal people and their leaders. These initiatives help to ensure the growing population of Aboriginal youth has the chance to participate fully in society. In this chapter, we highlight actions and report progress that the Department has taken to address three recommendations related to these two initiatives. We made these recommendations in our prior reports. We look forward to the Department's further progress.

Introduction

The Department of Government Relations and Aboriginal Affairs manages the Province's relations with other governments in Canada and abroad. In addition, it works with Aboriginal peoples and their organizations to advance common interests and with communities to support local governance. It provides them with financial and technical support. It develops laws and policies to meet the changing needs of municipal governments.

In addition, the Department coordinates and manages matters related to Government House, French-language services, official protocol, provincial honours, and provides administrative services to the Office of the Lieutenant Governor.

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

In this chapter, we list the special purpose funds and agencies for which the Department is responsible. We set out the results of our audits of the funds and for agencies with years ending on December 31, 2003.

In Chapter 7 of our 2003 Report – Volume 3, we reported the results of our audits of the Department and its funds and agencies with years ending on March 31, 2003 except for the First Nations Fund. The Trustees of the Fund continue to deny us access to the Fund's accounts.

Related special purpose funds and agencies

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

	<u>Year-end</u>
First Nations Fund	March 31
Government House Foundation	March 31
Métis Development Fund	December 31
Municipal Potash Tax Sharing Administration Board	December 31
Northern Revenue Sharing Trust Account	December 31

Each year, each special purpose fund and agency gives the Legislative Assembly (Assembly) its annual audited financial statements.

Audit conclusions and findings

Our Office has completed the audits of the Municipal Potash Tax Sharing Administration Board (Board), Métis Development Fund (Fund), and Northern Revenue Sharing Trust Account (NRSTA) for their December 31, 2003 year-ends.

In our opinion for the year ending December 31, 2003:

- ◆ **the Board, Fund, and NRSTA had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter;**
- ◆ **the Board, Fund, and NRSTA complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter; and**
- ◆ **the Board, Fund, and NRSTA had reliable financial statements.**

The following sets out our detailed audit findings.

Northern Revenue Sharing Trust Account

Background

The Northern Municipalities Act (Act) establishes The Northern Revenue Sharing Trust Account (NRSTA) and its Management Board (Advisory Board). Cabinet appoints the Board. The Advisory Board advises the Minister on the allocations of northern revenue sharing grants, northern capital grants, and any changes to the law concerning NRSTA. The Act makes the Department of Government Relations and Aboriginal Affairs (Department) responsible for administering NRSTA.

NRSTA includes all revenues of the Northern Saskatchewan Administration District (a designated area in the northern part of the Province) and money appropriated by the Assembly for the purposes of northern revenue sharing and grant programs.

NRSTA primarily provides money to northern municipalities for operations, water and sewer systems, and municipal facilities. In 2003, NRSTA had revenues of \$16.8 million, expenses of \$17.0 million, and held assets of \$32.8 million as at December 31, 2003.

Operations need monitoring

The Department needs to set up processes to oversee NRSTA's operations.

The Department needs to define the financial, operational, and compliance reports necessary to monitor the operations of NRSTA. Financial reports would explain differences between the planned and actual financial results, and project results expected for the remainder of the year. In addition, it would include financial statements. The financial statements would include a complete statement of operations, information on the sources and uses of cash, and on what it owns and owes. That is, it would set out what NRSTA owns (e.g., cash, investments, and capital assets), what it owes to others, and what others owe to it. Operational reports would show its progress against what NRSTA expects to achieve. Compliance reports would describe NRSTA's compliance with related authorities (e.g., the law and policies).

The Department has not set out the key information (i.e., financial, operational, and compliance) that it must receive regularly from staff who manage NRSTA. Also, the Department has not set up a process to review those reports and give direction to staff.

Staff prepare financial reports each month. In September 2003, staff began providing those reports to the Department. However, the reports are not adequate. They do not include all revenues from lease fees, amounts NRSTA owes to others, amounts others owe to NRSTA, and cash flow information. Also, the reports do not adequately explain differences between the actual and planned results.

For example, using its October 2003 financial reports, management projected NRSTA would lose \$4.1 million for the year ended December 31, 2003. In February 2004, the Department prepared NRSTA's preliminary annual financial statements for the year. Those financial statements showed a profit of approximately \$447,000. The audited financial statements for NRSTA for the year ended December 31, 2003 show a loss of approximately \$190,000.

Agencies need complete, accurate, and timely reports to make decisions. Without such reports, management may make incorrect decisions.

We also reported this matter in Chapter 7 of our 2003 Report – Volume 3.

1. **We recommend that the Department:**
 - ◆ **set out the reports it needs to adequately monitor Northern Revenue Sharing Trust Account's operations; and**
 - ◆ **set up a process to oversee Northern Revenue Sharing Trust Account's operations.**

Strategic and business plans needed

The Department needs to prepare strategic and business plans for NRSTA.

Formal strategic and business plans inform management and staff about the goals and objectives of an agency. Also, a strategic plan helps an agency to determine the resources needed to achieve its goals and objectives. It also sets out key risks the agency faces and ways of mitigating those risks. Business and financial plans should set out performance targets (e.g., operational and financial) and the required resources to achieve those expected results each year.

The Department has not prepared a strategic or business plan for NRSTA. Nor has it communicated strategic directions to staff managing NRSTA. As a result, staff do not know what goals and objectives NRSTA needs to accomplish and by when. Without formal plans for NRSTA, the Department cannot assess if NRSTA is contributing toward the overall strategic goals of the Department.

Two months after the end of NRSTA's 2003 fiscal year-end, the Department approved the 2003 financial plan for NRSTA. The Department approved this financial plan without a business plan. As a result, the Department does not know if it approved adequate resources for NRSTA.

- 2. We recommend that the Department prepare a strategic plan for Northern Revenue Sharing Trust Account setting out its goals, objectives, and priorities.**
- 3. We recommend that the Department approve an annual business and financial plan for Northern Revenue Sharing Trust Account before the beginning of its fiscal year.**

Complete policies and procedures needed

The Department does not have adequate accounting policies and procedures to prepare accurate financial statements for NRSTA.

Agencies need accounting policies and procedures to provide staff with guidance in completing their tasks. When accounting policies and procedures are not clear and complete, there is a risk that staff may make errors without timely detection.

The Department has documented some procedures to record transactions in NRSTA's accounting records. However, the Department has not documented all procedures to ensure the financial records are complete and accurate. Also, the Department has not provided formal guidance to staff on what they must do to record internal transfers or to make corrections to recorded transactions.

Staff regularly agree NRSTA's recorded bank balance to the bank's records (bank reconciliation). However, management did not always review and approve the bank reconciliations. The risk of a loss or misappropriation increases when agencies do not review and approve bank reconciliations.

To reduce the risk of loss and/or improper use of public money, the Department needs to establish the processes to:

- ◆ prepare and approve corrections to NRSTA's accounting records;
- ◆ record internal transfers;
- ◆ review and approve bank reconciliations;
- ◆ accurately record accounts payable and accounts receivable;
- ◆ conduct capital asset inspections and inventory counts; and
- ◆ convert data between computer systems when systems change.

Documented accounting policies and procedures help ensure that accounting staff receive ready guidance when needed. This in turn will help to safeguard public money and help ensure that NRSTA's financial records are complete and accurate.

We reported this matter in Chapter 7 of our 2003 Report – Volume 3.

- 4. We recommend that the Department establish processes to record transactions in the accounting records and to prepare accurate financial statements for Northern Revenue Sharing Trust Account.**

Staff development program needed

The Department does not have an adequate development program for staff responsible for NRSTA.

When agencies do not have adequate development programs, their employees may not achieve the needed competencies to do their work. When employees do not have proper accounting competencies, they may prepare incomplete and inaccurate financial information.

The Department's development program for NRSTA's staff should assess individual staff competencies required to do the work. Where the staff's competencies are less than required, the Department needs to provide training to ensure that the staff can adequately carry out their duties. Also, the Department needs to properly supervise staff to ensure that they complete their work accurately and on time.

- 5. We recommend that the Department establish a development program to ensure that Northern Revenue Sharing Trust Account's staff have the required competencies.**

Written agreement required

The Department does not have an agreement with the Department of Environment (Environment) setting out the roles and responsibilities of each party to collect revenues from leases and land sales.

Under the Act, revenues from lease fees on lands in the Northern Saskatchewan Administration District and proceeds from land sales belong to NRSTA. Environment administers these leases and land sales for NRSTA. Environment bills, collects, and maintains records of these revenues for NRSTA. The Department pays Environment annually \$430,000 for this work.

The Department does not have a written agreement with Environment to administer lease and land sales for NRSTA. A written agreement would help to ensure that both parties have a clear understanding of their roles and responsibilities. The written agreement would also specify what information Environment would provide to NRSTA and when. The Department could then monitor Environment's compliance with the agreement.

Because the Department has not set out in writing what information it needs and when, it did not receive timely information from Environment to prepare NRSTA's financial statements. Accordingly, NRSTA's monthly financial reports did not fully include revenues from lease fees and land sales. As stated earlier, incomplete or inaccurate financial statements could result in incorrect decisions.

6. We recommend the Department document its agreement with the Department of Environment to administer lease and land sales for Northern Revenue Sharing Trust Account.

Management told us that the Department is working with the Department of Environment to obtain such an agreement.

Annual Report needed

The Department needs an adequate annual report describing NRSTA's operations.

Currently, the Department provides the Assembly with audited financial statements and some additional information about its administration of NRSTA and its programs.

To be a good accountability document, the annual report should describe the purpose of NRSTA, how it manages its key risks, what it has done, where it is now, and what it plans to do. The annual report should include key performance targets for all of NRSTA's objectives and information on how NRSTA is progressing towards achieving those targets. Discussion and analysis about NRSTA's performance targets and its progress towards those targets would help readers assess NRSTA's performance.

The Department's annual report to the Assembly does not include this information. The Department could prepare an annual report for NRSTA that includes this information. Alternatively, the Department can provide this information about NRSTA in its own annual report.

We reported this matter in Chapter 7 of our 2003 Report – Volume 3.

- 7. We recommend that the Department report on the performance of Northern Revenue Sharing Trust Account to the Legislative Assembly each year.**

Coordination across Government—a follow-up

Background

The Department of Government Relations and Aboriginal Affairs is the coordinating department for the Government's *A Framework for Cooperation: Practical Approaches to Issues Affecting Métis and Off-Reserve First Nations People in Saskatchewan*. The Government now calls this the *Métis and Off-Reserve First Nation Strategy (Strategy)*.

In our 2001 audit, we assessed whether the Department had adequate processes to coordinate action by key government departments on the goals set out in the *Strategy*. The audit criteria we used in this audit are set out in Exhibit 1 at the end of this section.

In Chapter 8B of our 2001 Fall Report – Volume 2, we reported the Department had a sound foundation to coordinate action across

government except for its processes to monitor and report performance. At that time, the Department did not obtain regular reports from all participating departments.

We recommended that the Department establish processes to obtain regular written reports on the actions of the twelve participating departments. PAC agreed with our recommendation in its Fourth Report to the Legislative Assembly (June 2003).

In the following sections, we describe actions taken by the Department to address this recommendation to March 31, 2004.

Coordination has improved

The Department told us that in October 2002, they asked participating departments to submit written reports annually. In 2003, the Department received written reports about actions during 2001-02 and 2002-03 from participating departments. We examined detailed reports from five of the twelve participating departments.

The departments' reports explained which initiatives worked and which did not. The reports listed the activities of each initiative. The reports also described whether the activities contributed to objectives as intended.

As coordinator, the Department summarizes the *Strategy's* achievements from these reports. It also evaluates whether each initiative is still relevant for the annual action plan. The Department's summary of these reports shows combined action across the Government. The reports also help the *Strategy's* interdepartmental committee to update its action plan. The coordinating Department can then see where further action is required to achieve key objectives.

In February 2004, the Department publicly reported progress toward the objectives of the *Strategy*.¹ The report is on the Department's web site at www.graa.gov.sk.ca. The progress report explains the Government's actions between 2001 and 2003. It describes Saskatchewan's Métis and First Nations people in terms of age, where they live, and income.

¹ *Progress Report 2001-02 and 2002-03 A Framework for Cooperation: Strategy for Métis and Off-Reserve First Nations People*, February 2004 (see web site www.gov.sk.ca, Online, departments, Department of Government Relations and Aboriginal Affairs, Relations and Initiatives, Urban Strategy).

The progress report also gives results for some of the Government's objectives with and for Aboriginal people.² The results that it makes public are educational attainment, labour force participation, and unemployment rates. The report compares actual results for Aboriginal people and to others.

The Government has 10 to 20-year objectives for this *Strategy*. Legislators and the public need to see interim results compared to what the Government planned. Explaining the targets and results helps the public see the impact of trade-offs the Government makes in its financial plan. It helps the public understand what the Government achieved compared to what it planned.

Reporting on cross-government programs is complex. In 2003, the Department obtained effective written reports on the actions of the twelve participating departments. The Department used these reports to give the public a progress report. This is a good step forward. It improves coordination and increases accountability.

In addition, we congratulate the Department for reporting selected results to the public. We look forward to further reports of the results of this important *Strategy* as they become available. We will monitor how the Department sustains its processes to obtain written reports from participating departments. These processes are essential for the Government to make visible the extent of its progress on key objectives.

Exhibit 1—Criteria for processes to coordinate across government

To coordinate action by key Government departments on the goals set out in *A Framework for Cooperation*, the Department should have processes to:

- 1. Establish accountability for action on common goals**
 - Establish coordination structures
 - Establish accountability tools
 - Obtain commitment for action on goals
- 2. Provide leadership for action on goals**
 - Communicate expectations, risks, and opportunities
 - Encourage realistic balance of expectations with resources

² The Department plans to do a complete assessment of the results of Strategy initiatives every five years.

3. Make visible the extent of progress

- Monitor performance regularly
- Follow up on commitments to action
- Report performance

Facilitating partnerships—a follow-up

Background

The Department manages the Aboriginal Employment Development Program. This Program promotes the employment of qualified Aboriginal people. It helps to link employers to the growing number of well-educated Aboriginal young people. Employers who become partners commit themselves in writing to increase the proportion of Aboriginal employees in their workplace.

In Chapter 5 of our 2003 Report – Volume 1, we reported how the Department uses partnerships to increase the participation of Aboriginal people in the provincial workforce. We based our audit on the criteria set out in Exhibit 2 at the end of this section.

At the time of our audit, the Department had adequate processes to facilitate partnerships to increase the participation of Aboriginal people in the provincial workforce with one exception. The Department needed to improve how it measured and reported progress. We made two recommendations.

- 8. We recommend that the Department take adequate steps to ensure it uses consistent and reliable information to evaluate its progress toward increased participation of Aboriginal people in the provincial workforce.**
- 9. We recommend that the Department inform the public of its progress in achieving short, mid, and long-term measurable targets that contribute to the increased participation of Aboriginal people in the provincial workforce.**

In the following section, we describe management's action up to April 2004 on the above recommendations. We asked the Department to describe the actions it took on our recommendations. We also examined

what the Department reported to the public on its web site and in its annual report and press releases.

Reliability of information is improving

The Department measures progress in terms of the total number of partner-employers. The Department also asks its partner-employers to report the total number of Aboriginal people hired. Our audit found that partners counted the numbers hired in various ways. For example, employers counted a person as hired whether employment was casual, part-time or full-time, temporary or permanent.

The Department simplified the measures it asks partner-employers to use. For example, in 2003, the Department asked partners to measure how many Aboriginal employees they hire each year on either a permanent or temporary basis. This change makes the Department's information more reliable.

The Department's public report should explain limitations in the reliability of how it measures their progress. The Department needs to know how its partner-employers measure progress. This would help the Department assess the impact of any differences in data collection.

We will continue to monitor how the Department ensures it uses consistent and reliable information to evaluate progress.

Reporting is improving

In 2002, the Department consistently reported its activities (e.g., the total number of agreements signed with employers). The Department also reported activities by partner-employers (e.g., number of Aboriginal people hired, staff attending cultural awareness training).

Useful progress reports explain both activities and results. Each year, the Department reports activities to the public in its annual report, press releases, and on its web site. Public reports of actual results help partners commit to increased employment for Aboriginal people.

The Department plans to report results. It plans to tell the public the number of Aboriginal people employed by its partner-employers as of

March 31st each year. Reporting the number of Aboriginal people permanently employed by its partners will show progress toward increasing workforce participation.

Province-wide, in 2001, Aboriginal participation in the workforce was about 15% less than participation of others.³ Increased participation of Aboriginal people in Saskatchewan's workforce is an important objective.

We encourage the Department to report both activities and results in future reports to the public. The Department told us it expects to report actual results compared to planned progress as part of the 2003-04 Annual Report in July 2004.

We will continue to monitor how the Department informs the public whether it is achieving its targets for increased Aboriginal participation in the provincial workforce.

Exhibit 2—Criteria to facilitate partnerships

To adequately facilitate effective partnerships to increase participation of Aboriginal people in the workforce, the Department should have processes to:

1. identify key partnership opportunities
2. design sustainable strategies to engage partners
3. formalize clear accountability with partners
4. report progress toward increasing Aboriginal participation in the workforce

³ Statistics Canada 2001 Census: Selected labour force characteristics, Aboriginal identity, age groups and sex for population 15 years and over for Canada, Provinces, Territories and census metropolitan areas

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