

First Nations and Métis Relations

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Main points

The Department of First Nations and Métis Relations was created October 1, 2004. It assumed programs previously delivered by the former Department of Government Relations and Aboriginal Affairs.

The Department provided certain First Nations organizations with \$30.6 million in 2004-05 under the 2002 Framework Agreement. The Agreement restricts how this money must be managed and spent. These restrictions help ensure First Nations people benefit from this money. Since 2003, we have raised concerns that the Department does not do enough to make sure this money is spent as required by law. During its first six months of operations, the Department has made some progress, but more work remains.

Further, the Department is taking steps to make its information for the Aboriginal Employment Development Program more consistent and reliable. The Department needs to inform the public of its progress in meeting its short- and longer-term targets for the participation of Aboriginal people in the workforce.

Introduction

In this chapter, we set out the results of our 2005 audit of the Department and two follow-ups of the Department's actions to address our previous recommendations related to the Métis and Off-Reserve First Nations Strategy and to the Aboriginal Employment Development Program.

Background

Effective October 1, 2004, Cabinet established the Department to provide a more focused approach to the Government's work involving First Nations and Métis people. The Department works with First Nations and Métis people and their organizations to advance common interests. It must provide leadership to help ensure First Nations and Métis priorities and issues are reflected in provincial government policies and programs. It also helps ensure the Government fulfills its obligations for treaty land entitlement.

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.fnmr.gov.sk.ca/>.

Related special purpose funds and agencies

At March 31, 2005, the Department was responsible for the First Nations Fund and Métis Development Fund (also called the Clarence Campeau Development Fund). Each year, the Development Fund gives the Legislative Assembly its annual audited financial statements. The Development Fund has a December 31 year-end. The Development Fund's statements are publicly available at www.gov.sk.ca/finance/.

Overview of Department's finances

For the year ended March 31, 2005, the Department spent \$45.8 million. For 2004-05, the Government reported these amounts in the *Public Accounts 2004-05: Volume 2: Details of Revenue and Expenses* (see <http://www.gov.sk.ca/finance/paccts>) under Government Relations and Aboriginal Affairs (the former department). The following exhibit lists its major programs and spending.

	<u>Original Estimates¹</u>	<u>Actual</u>
	(in millions of dollars)	
Policy and coordination	\$ 2.0	\$ 2.3
Support for Aboriginal Organizations and issues	1.3	1.3
Treaty land entitlement	10.7	9.6
Métis Development Fund	2.0	2.0
First Nations Gaming Agreements	<u>29.4</u>	<u>30.6</u>
	<u>\$ 45.4</u>	<u>\$ 45.8</u>

The Department’s 2004-05 Annual Report sets out reasons for significant differences between its planned and actual revenues and expenses. The Department makes this report available on its web site.

Audit conclusions and findings

In our opinion, for the six-month period ended March 31, 2005:

- ♦ **the Department had adequate rules and procedures to safeguard public resources and comply with authorities governing its activities except for the matters reported otherwise in this chapter**
- ♦ **the Department complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported otherwise in this chapter**

Our Office last audited the First Nations Fund for its year ending March 31, 2002. Since that time, the Trustees of the First Nations Fund have denied us access to the Fund’s accounts.

The following sections set out our detailed audit findings and the results of the above-mentioned follow-ups.

¹ Obtained from *Public Accounts 2004-2005: Estimates* – Aboriginal Affairs Division of the Department of Government Relations and Aboriginal Affairs.

Better monitoring of spending by First Nations Trust and community development corporations needed

The matters reported in Chapter 8 of our 2005 Report – Volume 1 about monitoring the spending by the four community development corporations² (CDCs) and the First Nations Trust continue.

For the year ending March 31, 2005, the Department gave the four CDCs \$7.6 million (2003-04: \$7.2 million) and the First Nations Trust \$22.8 million (2003-04: \$16.2 million) under the 2002 Framework Agreement³ (Gaming Agreement).

The Department is entitled to key information from each CDC and the First Nations Trust (a trust set up by the Federation of Saskatchewan Indian Nations (FSIN)) under the Gaming Agreement.

In addition to audited financial statements, each year each CDC and the First Nations Trust must give the Department its auditor's report on whether it has appropriate rules and procedures to ensure the following:

- ◆ all money is fully accounted for and properly disposed of
- ◆ money is expended for the purposes set out in the Gaming Agreement.

We call this the 'report on controls and compliance'.

Under the Gaming Agreement, the Trust must give the Department the following additional reports: annual report, a copy of the management letter issued by the Trust's auditor and its response thereon and the auditor's report on the adequacy of the Trust's rules and procedures to ensure an effective check on the receipt and allocation of money the Trust receives.

² The four community development corporations are: Painted Hand, Bear Claw, Gold Eagle, and Northern Lights.

³ The 2002 Framework Agreement is a 25-year agreement between the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations (FSIN). It provides for FSIN to establish a trust and for four Tribal Councils to set up community development corporations (CDCs) each located within their communities. It sets out the portion of annual net profits of the casinos operated by Saskatchewan Indian Gaming Authority that the Trust and CDC's are eligible to receive.

Although not required by the Gaming Agreement, the Department asks each CDC to give the Department a copy of the CDC's annual report and the management letter issued by its auditor and the response thereon.

The CDCs and Trust have fiscal years ending March 31. The Department expected CDCs and the Trust to provide it with the above reports for their March 31, 2005 year-end by July and August 2005, respectively.

These reports provide the Department with critical information on whether the CDCs and Trust are spending as permitted by law. The Department uses reasonable processes to help it receive the information it needs. Chapter 8 of our 2005 Report – Volume 1 sets out these processes in detail.

While the Department has made some improvements since our last report, more is needed.

Starting April 2005, the Department hired a full-time person to monitor spending by the Trust and CDCs and work more closely with these organizations. The Department reminded each organization and its auditor, in writing, of its reporting obligations. The Department followed up where it did not receive reports when or in the form expected. In some cases, it withheld payments until it received the reports.

Effective July 2005, this individual attends the meetings of each CDC's board as the Government's ex-officio board member. Also, the Department is working with FSIN to set up the CDC Standing Committee as allowed under section 7.12 of the Gaming Agreement. The Committee is expected to help and coordinate communications between the Government and CDCs about the operations of CDCs and their distributions of funds.

At October 2005, while the Department had received the Trust's 2004-05 audited financial statements and 2004-05 Annual Report, it has not received the Trust's 2004-05 'report on control and compliance', or a copy of its auditor's 2004-05 management letter or response thereon. Without this critical information, the Department does not know if the Trust corrected the problems identified in the Trust's 2003-04 audit properly. As a result, the Department does not know if the Trust spent the money the Department provided as the law permits. The Department re-reminded, in

writing, the Trust of its reporting obligations and specifically asked the Trust of the status of these reports.

At October 2005, most of the CDCs provided the Department with more timely and complete information. However, the Department did not receive certain reports when expected and for one CDC, a report it received did not contain the information to which it is entitled.

At October 2005, the Department has received:

- ◆ audited financial statements of each CDC.
- ◆ the 'report on controls and compliance' of three CDCs. The report of the auditor of one CDC did not meet the requirements of the Gaming Agreement. This auditor's report did not provide the Department with the information requested. The Department is working with the CDC to obtain the proper report and expects to receive the proper report by the end of November.
- ◆ copy of the auditors' management letter of all four CDCs and the response to this letter of three CDCs.
- ◆ the 2004-05 Annual Reports of two CDCs.

While the content of the annual reports of CDCs show some improvements, they do not provide adequate information to assess the performance of the CDCs or sufficient detail on projects to which the organization provided money. The Department is working with the CDCs to improve the content of these reports.

We continue to recommend:

- ◆ the Department of First Nations and Métis Relations follow all of its processes to ensure the First Nations Trust spends public money as required by law
- ◆ the Department of First Nations and Métis Relations ensure it receives sufficient and timely information from each community development corporation to determine:
 - if each corporation properly managed public money
 - spent it only as permitted by law

The Standing Committee on Public Accounts agreed with the above recommendations on October 26, 2005 and June 15, 2004 respectively.

Concerns over First Nations Fund continue

The matters reported in Chapter 7 of our 2003 Report – Volume 3, about the adequacy of the First Nations Fund's processes, its compliance with the law, and reporting continue. We continue to recommend:

- ◆ the Department supervise the Trustees of the First Nations Fund to ensure the Trustees spend public money with due care and in accordance with *The Saskatchewan Gaming Corporation Act* (Act)
- ◆ the Department provide our Office with the necessary access to the accounts of the First Nations Fund

The Standing Committee on Public Accounts agreed with the above recommendations on November 5, 2002 and June 15, 2004 respectively.

The Department provided the Fund with \$51.9 million since 2001. The Department stopped making payments to the First Nations Fund in July 2003. The Fund ceased activity December 10, 2004. In December 2004, the First Nations Trust assumed the Fund's legal responsibilities.

Our Office has not had access to the records of the Fund since the March 31, 2002 audit. Without access, our Office cannot complete the audits of the Fund. As a result, we do not know if the Fund adequately safeguarded public money, complied with the law, and prepared reliable financial reports.

The Department expects to wind up the Fund in late 2005.

Follow-ups of previous audit recommendations

In this section, we describe actions taken by the Department to September 30, 2005. The actions relate to recommendations that we made to the Department in 2001, about coordinating action across twelve government departments and in 2003, about facilitating partnerships.

Coordination across Government—a follow-up

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 *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*.

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 get regular reports from all participating departments.

We recommended that the Department establish processes to obtain regular written reports on the actions of participating departments. The Standing Committee on Public Accounts agreed with our recommendation in November 2002.

The Department has advised us that it plans to replace the *Métis and Off-Reserve First Nation Strategy*. The Department will consider the recommendation as it develops processes to implement the new strategy.

Facilitating partnerships—a follow-up

The Department's Aboriginal Employment Development Program promotes the employment of qualified Aboriginal people. The Program helps to link employers to the growing number of well-educated Aboriginal young people. Employers, unions, and others who become partners commit themselves in writing to increase the proportion of employees in their workplace that claim an Aboriginal heritage.

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

Exhibit 1—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

In 2003, we found the Department had adequate processes to facilitate partnerships that 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 recommended the following.

- ◆ The Department should 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.
- ◆ The Department should 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.

The Standing Committee on Public Accounts agreed with our recommendations on June 8, 2004.

In summary, the Department is taking steps to make its information for the Aboriginal Employment Development Program more consistent and reliable. We continue to recommend that the Department take further steps. In addition, we continue to recommend that the Department inform the public of its progress in achieving targets for the participation of Aboriginal people in the provincial workforce.

The sections below describe the Department's progress in more detail.

Reliability of information is improving

To report its progress, the Department collects information from its partners and combines information collected since the beginning of the program in 1997. Combining information from various sources and times increases the risk the information will not be accurate and complete.

To combine information accurately, every partner should report the same type of information in the same way. The Department provides partners with definitions of key terms. Careful definitions for each measure will help partners understand what to report. This will improve the reliability of the information reported.

The Department asks each partner to report the number of Aboriginal employees the partner hired during the fiscal year. The Department asks partners to report permanent and non-permanent hires separately. The Department's 2004-05 Annual Report describes how the numbers it reports are calculated. Readers can now better understand what the numbers mean.

For 2005-06, the Department also asked each partner to report how many of its permanent employees as of March 31st claimed an Aboriginal heritage. The accuracy of this measure depends on employees self-identifying their cultural heritage. The accuracy of the measure also requires employers to track this information consistently. Many partners do not yet collect the information required to report the number of Aboriginal people that the partner employed on a permanent basis. The Department has begun to disclose these limitations in its public reports.

Reporting progress on outcomes as well as activities needed

The Department reports activities to the public in its annual report, news releases, and on its web site. Useful progress reports explain results in the context of outcomes achieved as well as activities completed. Public reports of actual results help partners commit to increased employment for Aboriginal people.

The Department consistently reports activities. For example, the Department reports the total number of awareness training sessions. The Department also reports activities completed by its partners such as the number of Aboriginal people hired and the number of new workers oriented.

The Department's web site reports outcomes achieved as well as activities. For example, the Department reports the number of Aboriginal people permanently employed by its partners. The number permanently employed is an outcome. This allows the Department to report progress toward its ultimate objective of enabling increased participation of Aboriginal people in the workforce.