

Chapter 9

Government Relations

1.0 MAIN POINTS

This chapter contains the results of our 2014-15 annual audit of the Ministry of Government Relations (Ministry). The Ministry complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

During 2014-15, the Ministry had effective rules and procedures to safeguard public resources except that it needs to give staff guidance for analyzing and taking action on issues arising from its monitoring of the 2002 Gaming Framework Agreement. It also needs to remove unneeded user access to its computer systems and data promptly.

2.0 INTRODUCTION

The Ministry is responsible for municipal relations, public safety, and for First Nations, Métis, and northern affairs.¹ Its responsibilities include coordinating, developing, promoting, and implementing policies and programs related to cities, municipalities (urban, rural, northern), and matters of an inter-municipal nature. These responsibilities include policies and programs related to:

- › Community planning, development, and diversification of cities and municipalities
- › Joint ventures related to municipalities
- › Administrative and technical advice provided to administrators/councils to support the effective and efficient operation of municipal governments
- › Community facilities
- › Local government elections

Also, the Ministry is responsible for coordinating, developing, promoting, and implementing policies:

- › With respect to matters affecting First Nations and Métis peoples
- › To foster and advance development in northern Saskatchewan
- › For emergency management, disaster assistance, fire commissioner services, and building accessibility and other safety standards
- › For public safety (e.g., safety standards for boilers, pressure vessels, and gas equipment and installations)²

¹ www.saskatchewan.ca/government/government-structure/ministries/government-relations (24 July 2015).

² *The Ministry of Government Relations Regulations.*



2.1 Financial Overview

For the year ended March 31, 2015, the Ministry had revenues of \$178.6 million (including \$161.9 million from the federal government) and expenses of \$572.3 million.

The following lists the Ministry's expenses by major programs. For further details see the Ministry's *2014-15 Annual Report* available on its website.³

Figure 1 – Expenses by Major Program

	Estimates 2014-15*	Actual 2014-15
	(in millions)	
Central Management and Services	\$ 10.3	\$ 9.1
First Nations and Métis Engagement	80.2	82.6
Municipal and Northern Engagement	363.8	358.8
Saskatchewan Municipal Board	1.8	1.7
Public Safety	10.2	119.2
Total Appropriation	<u>466.3</u>	<u>571.4</u>
Capital Asset Acquisitions	(2.2)	(1.6)
Amortization of Capital Assets	2.6	2.5
Total Expense	<u>\$ 466.7</u>	<u>\$ 572.3</u>

Source: *Ministry of Government Relations 2014-15 Annual Report*.

*The Ministry obtained additional funding through supplementary estimates of \$118.8 million.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- › **The Ministry had effective rules and procedures to safeguard public resources except as described in this chapter**
- › **The Ministry complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Assessment Management Agency Act
The Assessment Management Agency Regulations
The Cities Act
The Crown Employment Contracts Act
The Executive Government Administration Act
 (effective August 15, 2014)
The Financial Administration Act, 1993
The Government Organization Act (to August 15,
 2014)
The Government Organization Exemption
Regulations
The Indian and Native Affairs Act
The Ministry of Government Relations Regulations
The Métis Act
The Municipalities Act
The Municipal Boards Act

The Municipal Grants Act
The Municipal Grants Regulations
The Northern Municipalities Act, 2010
The Provincial Disaster Assistance Program
Regulations, 2011
The Public Services Act, 1998
The Purchasing Act, 2004
The Rural Affairs Act
The Saskatchewan Gaming Corporation Act (Part
 III.01, and III.1)
The Saskatchewan Natural Resources Transfer
Agreement (Treaty Land Entitlement) Act
The Urban Affairs Act
 2002 Gaming Framework Agreement
 Orders in Council issued pursuant to the above
 legislation

³ www.saskatchewan.ca/government/government-structure/ministries/government-relations (11 September 2015).

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2014-15 audit, we examined the effectiveness of the Ministry's financial-related controls used to administer the expenses listed in **Figure 1**, its revenues, and its contractual obligations. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

Because the Ministry receives significant federal funding for various municipal programs and provides significant grants to municipalities, we paid particular attention to the Ministry's controls for managing grant payments to municipalities. This included assessing its processes for awarding grants, approving grant payments, and monitoring municipalities' compliance with federal and provincial funding agreements. Also, the Ministry provides significant financial assistance to individuals and organizations for provincial disaster claims and expects to receive significant reimbursements from the federal government for a portion of the amount it pays. We examined the Ministry's controls over managing disaster claims and recovering amounts from the federal government, including processes for making and recording significant accounting estimates.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Better Guidance for Monitoring the 2002 Gaming Framework Agreement Needed

The Ministry did not have a formal, documented process to analyze and take action when potential issues arise from its monitoring of the 2002 Gaming Framework Agreement (Agreement).

In accordance with the Agreement and *The Saskatchewan Gaming Corporation Act* (for the First Nations Trust [FNT]), the Ministry provides funding annually to the FNT and six Community Development Corporations (CDCs) based on profits earned by Saskatchewan casinos. In 2014-15, the Ministry provided them with \$77.0 million in funding (FNT received \$55.8 million and in total CDCs received \$21.2 million). The Agreement requires the FNT and CDCs to use these funds for specific purposes.^{4,5}

The Agreement sets out key accountability reports that the FNT and CDCs are to give the Ministry (e.g., annual reports, audit reports on compliance with the Agreement). Also, the Agreement allows the Government to appoint an ex-officio member to the CDC Boards. The Ministry has appointed a staff member to act as the ex-officio member of each CDC Board. By using the accountability reports and participating as a member of the CDC Boards, we expected the Ministry to monitor the activities of the FNT and

⁴ The First Nations Trust Indenture (an appendix to the Agreement) sets the following eligible purposes for FNT grants: economic development, social programs, justice initiatives, education and education facilities, the development and operation of recreational facilities, senior and youth programs, cultural and spiritual development, the development and maintenance of community infrastructure, health initiatives, governance activities, treaty protection, and any other charitable purpose.

⁵ The Agreement sets the following eligible purposes for CDC grants: economic development, social development, justice initiatives, educational development, recreational facilities operation and development, senior and youth programs, cultural development, community infrastructure development and maintenance, health initiatives, and other charitable purposes.



CDCs to determine whether they are complying with the Agreement and distributing funds for the specified purposes. We expected the Ministry to analyze significant issues as the Ministry becomes aware of them (e.g., significant audit findings in FNT or CDCs audit reports) and determine required actions based on established criteria (e.g., setting out when to issue communications, when to withhold funding).

We found that Ministry staff received and reviewed key accountability reports from the FNT and CDCs (e.g., annual reports, audit reports, etc.) and periodically attended Board meetings. Ministry management indicated that staff analyze issues as they become aware of them (e.g., where the FNT or a CDC may have made payments that do not clearly meet purposes outlined in the Agreement, significant control weaknesses or errors have been identified by FNT or CDC auditors). However, management has not established a formal process to guide staff when potential issues arise. We expected that such a process would include guidance to help staff determine which issues require analysis, conduct and document analysis, decide on the appropriate action to take, and determine when to elevate issues to senior management.

In 2014-15, management became aware of issues that the auditor of a CDC raised during the CDC's 2013-14 audit (e.g., making payments for guests for out-of-province travel to later be reimbursed, lack of appropriate approval of numerous transactions). Management stated that they analyzed these issues and determined that no further action was required. However, they could not provide us with documented analysis or criteria used to determine that no further action was required.

Also, as disclosed in the Federation of Saskatchewan Indian Nations' (FSIN)⁶ 2013-14 audited financial statements, the FSIN Assembly authorized payments from the FNT whereby the FSIN will annually receive up to \$2.5 million to support its normal operations starting in 2015-16.⁷ The Ministry became aware of this arrangement in 2014-15. Because this was a new arrangement involving ongoing large annual payments, we expected the Ministry to determine whether such payments would be eligible under the Agreement (i.e., whether they fit within specific purposes outlined in the Agreement). Management indicated that it had consulted with the FNT on this issue and concluded that these payments would be eligible. However, the Ministry was unable to provide documented analysis supporting its conclusion that the proposed payments to support the FSIN's normal operations was for a permitted purpose and hence allowed for under the Agreement.

Without a formal, documented process, the Ministry may not be able to show it sufficiently monitors the Agreement. Without adequate monitoring, there is increased risk that the FNT or CDCs may inappropriately distribute funds or make payments for purposes not intended by the Agreement.

⁶ The FSIN is a beneficiary of the FNT and is entitled to apply for funding from the FNT, and in some cases to direct payments to be made, as long as the payment is for a permitted purpose under the 2012 Gaming Framework Agreement.

⁷ Federation of Saskatchewan Indians, Inc., *Financial Statements March 31, 2014*, p. 5.

www.fsin.com/images/stories/fsindownloads/communications/financial_statements/FSIN%20March%2031,%202014%20Audit%20FINAL.pdf (1 October 2015).

1. We recommend that the Ministry of Government Relations provide guidance to staff for analyzing and taking action on issues arising from its monitoring of the 2002 Gaming Framework Agreement.

4.2 Timely Removal of User Access Needed

We recommended that the Ministry of Government Relations document and implement procedures to ensure unneeded user access to its information technology systems and data is removed promptly. (2012 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

Status – Partially Implemented

In January 2015, the Ministry implemented a new process requiring staff to notify the Corporate Services branch upon becoming aware of upcoming staff changes. This would allow the Ministry to make timely requests for the removal of unneeded user access to its IT systems and data. However, the new process did not operate effectively.

We found two out of five instances (2013-14: seven out of 10 instances) where unneeded network access was not removed promptly (i.e., 2 to 11 days after last day of employment) (2013-14: 2 to 93 days after last day of employment). Also, the Ministry's monitoring of its new process found that, between January and March 2015, unneeded network access was not removed promptly for 13 of 20 employees who left the employ of the Ministry during that period.

