



# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

## **Hansard Verbatim Report**

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS  
2004**

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Rosetown-Elrose

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Mr. Ken Krawetz  
Canora-Pelly

Mr. Kim Trew  
Regina Coronation Park

Mr. Kevin Yates  
Regina Dewdney

The committee met at 10:30.

**The Chair:** — Morning. I call the meeting of the Public Accounts Committee to order. We have a full agenda today, and so I think we'd better just get at the affairs. I have one item to add to the agenda which we should deal with before we deal with chapters 8 of the 2002 report volume 2, and chapters 5 and 7 of the 2003 Report Volume 1 and 3.

As you remember, a few weeks ago we appointed a standing committee. Our committee appointed an Audit Committee, and we had to ask the committee on . . . Crown Corporations Committee — it used to be called the Crown Corporations Committee; it's got another name now — to ratify our decision. That has occurred. The ratification notice was sent by Mr. Addley from the Crown Corporations Committee.

It is incumbent upon us now to select a chairperson for the Audit Committee. The five people on the committee are Mr. Rob Jaspar, director of internal audit, the Potash Corp; Mr. Raymond Hueser, Urban Forest Recyclers Inc., Swift Current; Dr. Morina Rennie, Faculty of Administration, U of R (University of Regina); Mr. Ralph Ottenbreit, Law Society of Saskatchewan; and Mr. Terry Alm, a private sector business person.

The chair of the previous Audit Committee was Dr. Rennie. And I have a motion which you could consider and put forward:

That the Standing Committee on Public Accounts unanimously recommend to the Speaker the reappointment of Dr. Morina Rennie as chairperson of the Audit Committee for the twenty-fifth legislature.

If there's any discussion I would entertain that, or if someone would care to make that motion we could discuss that and vote on it.

**Mr. Yates:** — I so move.

**The Chair:** — Moved by Mr. Yates. Is there any discussion at all on the motion? Seeing none, I'll call for the vote. All in favour? Any opposed? It is carried unanimously.

#### **Public Hearing: Intergovernmental and Aboriginal Affairs**

**The Chair:** — I'd like to welcome all of the officials here. We have Mr. Wendel from the auditor's office and his several staff members. We have members here from the Provincial Comptroller's office, and a number of witnesses from Government Relations and Aboriginal Affairs.

As I mentioned, we have a portion of chapter 8 from the 2002 report volume 2, and then we have two chapters from the 2003 Report, both Volume 1 and Volume 3. I would ask Mr. Wendel or an official from his department, or his office, to give a condensed report of his findings, and then I would ask the witnesses to take the time to introduce themselves and respond to that, and then we'll open up the floor to questions from the members. Mr. Wendel.

**Mr. Wendel:** — Well thank you, Mr. Chair. I'll have Judy

Ferguson, a deputy with our office, to make a brief presentation to you on the two chapters or three chapters rather.

**Ms. Ferguson:** — Thank you, Chair. Members, government officials, I'm pleased this morning to discuss the three chapters related to Government Relations and Aboriginal Affairs, formerly called Department of Intergovernmental Affairs.

The chapters under review today cover the work of our office for the year ended March 31, 2003, and five agencies for which the department is responsible, up to the fiscal years ending December 31, 2002. Page 187 of chapter 7 of our 2003 Report lists the agencies. These include the First Nations Fund, Government House Foundation, Métis Development Fund, Municipal Potash Tax Sharing Administration fund, Northern Revenue Sharing Trust Account. In addition, they include two cross-government strategies that the government . . . our work on two cross-government strategies that the department coordinates.

In these chapters overall, we conclude that the March 2002 and 2003 financial statements of the foundation, the development fund, and the December 2002 Municipal Potash Tax Sharing Administration Board, and the Northern Revenue Sharing Trust Account financial statements are reliable.

In addition, we conclude that the March 2002 financial statements of the First Nations Fund are reliable. Since we are denied access to audit the fund, we do not know if the 2003 financial statements are reliable.

Each of these agencies and the department complied with the law and had adequate rules and procedures to safeguard and control public resources with the number of exceptions that I will highlight this morning.

For the department, our findings relate to three main areas. The first area relates to the department's processes to ensure key cross-government strategies and programs achieve their expected results.

In 2001, we examined how well the department coordinated the actions of 12 government departments towards the achievement of the Framework for Cooperation. The framework is a cross-government strategy with goals and objectives that aim to improve the long-term future of Métis and off-reserve First Nations people.

We recommended the department obtain regular reports from participating departments so that it could monitor progress in achieving the framework's goal and to report this progress to cabinet and to the public. PAC (Public Accounts Committee) concurred with our recommendation in November 2002.

In chapter 8 of our 2002 report, we note that the department started to receive written reports from the participating departments. These reports will enable it to monitor progress and report the progress publicly. And it has since issued one report. We will continue to monitor the department's progress in this area.

In 2003 we looked at another cross-government program that

the department coordinates and delivers — the Aboriginal Employment Development Program. In chapter 5 of our 2003 Report Volume 1, we set out the results of this work. AEDP (Aboriginal Employment Development Program) is part of the government's overall strategy to have qualified Aboriginal workers represented at all occupational levels in proportion to the provincial population. AEDP promotes the employment of a qualified Aboriginal people. The objective of AEDP is to increase the participation of Aboriginal people in the provincial workforce.

A key to the success of this program is the department's ability to engage private and public sector employers, unions, and Aboriginal workers as partners to help change attitudes and remove barriers for employing Aboriginal people. Recognizing the importance of these partnerships, we looked at the adequacy of the department's processes to facilitating effective partnerships to meet the goals of the program.

We found overall the department had adequate processes to facilitate effective partnerships to meet the goal, except it needs to improve how it measures and reports its progress. The department needs to set out what it expects to achieve on a long-term and short-term basis. For the long-term basis, it uses the objective of the representative workforce strategy, that is, representation in proportion to provincial population.

Also the department must take steps to ensure it understands how each of its 39 partners collects information it uses. This is critical to enable it to decide if the information can be validly summarized so that it is not combining apples and oranges and that the information is usable for its monitoring and reporting purposes.

On page 106 of our report, we make two recommendations. Our first recommendation focuses on the quality of information that the department collects, that is, its reliability and consistency. The second information focuses on the nature of the information to report, that is, information that shows its progress against what the department expected to receive.

The increased participation of Aboriginal people in the Saskatchewan workforce is critical to the long-term success of Saskatchewan. Incremental steps that help workplaces to be ready for the increased number of Aboriginal people and help Aboriginal people to be ready for increased opportunities are important. This makes the success of programs such as AEDP important for us all.

Moving on, the second area relates to the department's supervisory responsibilities over two of its five agencies — the First Nations Fund and the Northern Revenue Sharing Trust Account. We report that problems at a third agency, the Métis Development Fund are now fixed.

A department is responsible for each of its agencies and funds that report to its minister or, in this case, ministers. It must ensure each agency understands and accepts its responsibilities. Then it must hold each agency accountable. In particular it must take steps to oversee that its agencies spend properly . . . public money prudently and only as permitted by law. Again we expect departments to be proactive in carrying out this role.

In 2001 we recommended the department supervise the First Nations Fund. PAC concurred with this recommendation in November 2002. In our 2002 Fall Report Volume 2, we reported continued significant problems at the First Nations Fund and an overall lack of progress towards implementing our previous recommendations.

The trustees of the funds did not change their practices. They continued to make payments without knowing if they met the purposes of the law. In addition, they continued to make payments that were not permitted under law. Again in our 2003 Report, Volume 3, we reported that the department does not have adequate processes to oversee the fund and that it continued to make payments to the fund without knowing if the fund corrected the significant deficiencies we previously reported. In 2002 the department paid the fund \$15.1 million; in 2003, \$20 million. The department does not have processes to know if these monies are spent as the law expects.

In addition, as previously reported, we note that the trustees of the fund, since the March 2002 year-end has denied our office access to audit the accounts of the fund. As a result we do not know if the trustees have subsequently changed their practices. We recommend that the department get us necessary access to the accounts of the First Nations Fund.

In our 2003 Report Volume 3, we report problems at the Northern Revenue Sharing Trust Account and make five recommendations for improvement. These are set out in pages 195 to 198 of that report. As described in the chapter, we noted the account did not have adequate monthly financial and non-financial reports for decision making. They did not have adequate accounting policies and procedures to prepare accurate financial statements; the financial statements presented for audit contained significant errors. The fund . . . the account did not obtain cabinet's approval for the pay of board members as expected by law; it did not prepare an annual report; and finally, it did not provide the Assembly with a list of persons who received money from the account.

In our 2002 Fall Report, we reported that the Métis Development Fund lacked a code of conduct and conflict-of-interest policy for its employees. Its board minutes did not document any potential conflicts of interest and how the board resolved these conflicts. Its annual report didn't show the fund's planned and actual performance, information on key risks, or how the fund manages those risks, or provide a list of persons who received money from the fund. We made two recommendations for improvement and we are very pleased to note that the fund has successfully implemented those recommendations.

The third and final area relates to the monitoring of funding that the department provides to others. When the government restricts how monies are spent, we expect that the department provides the monies to . . . we expect the department that provides the monies to have processes to ensure monies will be spent for the purposes intended. It is not acceptable for a department to cut the cheque, then passively wait for a recipient organization to tell how it spends the money. It must be proactive.

Under an agreement, the department provides community

development corporations monies that must be spent for social and economic purposes. In 2001, the department paid four community development corporations almost \$7 million. In 2002, we recommended the department take steps to ensure these monies are spent as intended.

In 2003, we report the department had set up a reasonable process to obtain informations from community development corporations to help it determine if they had spent the money as expected. However, at that time the department had not yet used the process. As a result, on page 191 of our report we continue to recommend that the department receive sufficient and timely information from each community development corporation to determine if each corporation properly managed public money and spent it only as permitted by law.

So in summary, our office has presented you with 11 recommendations for your consideration, and they're summarized on the overhead above. And that concludes our formal presentation, and we'd be pleased to respond to questions.

**The Chair:** — Thank you, Ms. Ferguson, for that overview. We welcome Deputy Minister Cotter here. If you'd like to introduce your colleagues and respond briefly, then we'll open up the floor to questions.

**Mr. Cotter:** — Thank you, Mr. Chair. It's a pleasure to be here after an absence of a couple of years. I think this may be my last appearance before the Public Accounts Committee, and I will no doubt cherish it in my memory.

Thank you. As indicated, my name is Brent Cotter, and I'm the deputy minister of Government Relations and Aboriginal Affairs for the province. I am joined today by Wanda Lamberti, sitting to my left. Wanda is the executive director of finance and management services for the department. Donavon Young, who is to my right, is the assistant deputy minister for the Aboriginal affairs division of the department; and Larry Steeves, seated further back, is the associate deputy minister for the municipal relations division of the department; and some other colleagues who may be available to assist me as the questions get harder and harder. Thank you.

If I could make just a couple of introductory and very general observations, let me say at the outset that the department concurs with the recommendations that have been made to you and to us by the Provincial Auditor. We may have shaped the description of them if we had been writing the recommendations ourselves, but in terms of their central advice to us and to you, we agree.

I would describe the overall state of affairs with respect to the three reports and the areas to which the auditor has spoken as along the following lines.

With respect to a couple of the . . . the two interdepartmental programs or services that we provide, I would say a complimentary bill of health to us and to the government. In this respect, particularly the Aboriginal Employment Development Program was a topic which I think we jointly agreed and I might go so far as to say we recommended that the auditor look at to provide us further advice.

With respect to the Métis and off-reserve First Nations strategy, it is a fundamental cross-cutting, cross-government initiative involving a dozen departments which we coordinate. And from the department's perspective it is fundamental that that initiative succeed, not just for Aboriginal people in the province, but for the social and economic health of all of us.

With respect the First Nations Fund, First Nations Trust now, and community development corporations, again an opportunity for us to see economic and social development occur in Aboriginal and in some cases non-Aboriginal communities. This is a project where we have a partnership with third parties that has been, as the auditor has identified, a constant challenge. We think in recent months we have made significant progress as a government and as a department in improving the disciplines around the way by which those entities distribute the money and we supervise their work.

With respect to the Northern Revenue Sharing Trust Account, a series of problems of recent date that have been identified by the auditor that we think are important and are prepared to and intend to work in a disciplined fashion to get those addressed before the end of the calendar year.

Maybe I could leave those remarks at that point and respond to your questions as you wish. Thank you.

**The Chair:** — Thank you, Mr. Cotter. Upon reviewing the content that we have before us for discussion, I think it would be profitable, colleagues, if we first dealt with chapter 8 of the 2002 report volume 2, page 200 to 202, as well as chapter 5 of the 2003 Report Volume 1 as one issue, because that's primarily involving Aboriginal employment opportunities. Then I suggest that we deal with the First Nations Fund, which is pages 206 to 215 of chapter 8 of the 2002 report, and then finally that we deal with chapter 7 of the 2003 Report Volume 3. I just think that that would provide some clarity as far as discussion purposes are concerned.

So I would therefore call for any questions regarding 2002 report volume 2, pages 200 to 202, and chapter 5, 2003 Report Volume 1.

By the way, just for the record, Ms. Draude is chitting in for Mr. Krawetz. Ms. Draude, you have the floor.

**Ms. Draude:** — Thank you, Mr. Chair. And welcome to the officials and to Mr. Cotter, and I'm sure that this will be a memorable occasion for you. I'm going to try and comply with the Chair's request that we deal with one issue at a time but it is a little difficult because I seem to float around.

So I want to start by saying that the lofty goals that you had discussed are ones that I commend the department and the government for because I believe that we need First Nations to, the work to be perceived as . . . not just perceived, but the reality is that we're working together. But some of the things that the auditor brings forward shows that there are complications that lead to mistrust and that's the type of thing that we have to overcome.

So I think I'm going to . . . We talked about the Aboriginal employment program and maybe you could just define that a

little bit for me. I know we went through in estimates the other day, but if you could just discuss that a little bit and tell me where the money is being spent right now and the issues surrounding it.

**Mr. Cotter:** — With respect to the Aboriginal Employment Development Program, it's a program that has been operating for coming up to a decade now. The program itself is one aspect of responding to what I would call the practical agenda of the province with respect to the economic and social circumstances of Aboriginal people in the province, and more particularly employment opportunities.

As you will probably know, Aboriginal people are significantly under-represented in the workforce and under-represented with respect to the various levels of jobs that exist in the province — under-represented in relation to their proportion of people in the population.

This program was intended to create partnerships between the province, and in particular our department, and employers within the province, sometimes the public sector, sometimes the kind of sector between the public and private sector — here I'm thinking of entities like universities, health districts, and the like — and then the private sector to stimulate opportunities for greater participation in the employment sector by Aboriginal people with those employees.

Essentially what we have done then is helped to provide a bit of seed money to launch those partnerships to enable the employers to link more effectively with the Aboriginal community, to identify qualified or, with training, able-to-be-qualified candidates for vacant positions in their organizations, and to assist in improving the environment in the workplace so that Aboriginal people will be welcomed into the workplace and have higher degrees of retention rates in the workplace.

As you have identified in some of the work that you have seen and as the auditor has highlighted, essentially the strategy has about a half a dozen components. And we are, I think, reasonably consistent in delivering this, in seeking out new partnerships — of which there are, I think, Donovan, 54 now, partnerships. And we have seen I think a significant increase in Aboriginal participation in the economy to where approaching 2,000 Aboriginal people have ended up working with partnership employers and most of those people I think are now in those positions of employment that may not have been there but for the engagement of this strategy and the support of the partner employers.

The strategy essentially has six parts on our part: a package of written information that develops enthusiasm for the potential benefits of the partnership, which we advance in, I think, appropriate but reasonably aggressive way to potential partners; second, the use of steering committees that each partner is encouraged to use in oversight of the work in pursuing a representative workforce.

Thirdly, we encourage partners — that is, employers — to assign staff to coordinate the activities of the employer as they seek out opportunities to attract Aboriginal employees, qualified ones, to apply for the positions that they have vacant.

Fourthly, the department encourages employers to develop a written action plan identifying what it will do to increase the proportion of Aboriginal people in its workforce and to have a committee that can review and approve this work plan.

Fifthly, we encourage partners to address barriers within the workplace. And in that respect, for example, we have encouraged, and in a number of cases, supported cultural awareness training in workplaces. I have forgotten the exact number of people within employers who have taken this training, but I believe it's in excess of 7,000 now — give or take.

And we are constantly mindful of our objective, which is not to just see an Aboriginal person hired by an employer, but also retained, so that he or she can feel that they've got an opportunity for — if not lifelong — at least steady employment and opportunities to advance.

For barriers that extend beyond employer partners, we have worked with related groups to address those barriers — sometimes with trade unions, sometimes with employer organizations and the like.

And finally, we have had some challenges with respect to partners that have faced circumstances that have prevented them from employing Aboriginal people. And we have worked with them to try to provide modest amounts of funding. Quite frankly the program is only modestly funded in terms of government resources, and most of it is invested in the partners to enable them to make the kinds of connections that I've described.

The program itself has, I think, potential to expand. There are many employers who are coming to see the needs of the workplace being better fulfilled, and better filled, by Aboriginal employees if they are well qualified. And as a result there are opportunities for further partnerships with a number of employers out there in the private sector.

We think this is a program that is acceptable and has enormous prospect for further progress. It is a program that has been adopted almost identical to the one we run in British Columbia, and by the Congress of Aboriginal People, which is a national kind of off-reserve Indian organization, Aboriginal people's organization, as a model for their work. And we have been able to make a modest additional investment in this year's budget to advance the number of partners and expand the program somewhat.

**Ms. Draude:** — I know that in discussion during estimates, we'd talked about the partners, and I knew you had indicated there was 54 partners. And I'm just wondering at some time if I can get a list of who the partners are.

**Mr. Cotter:** — Sure.

**Ms. Draude:** — But I'm definitely not needing it right now. And when we talk about job readiness, I know by that you would mean education basically.

But also when we talked about this program, I understand there's also an Aboriginal equity program that's involved

within this program. And I was concerned that it is really an issuer's budget of . . . there's about \$500,000 involved, but it's going to be directed just through the Crown corporations. And that to me sends a signal that, you know, that perhaps maybe is something that may be concerning to people that are outside of the Crown corporations, to employers that are in the private sector.

Is this initiative going to be looked at differently in the future? And how are you going to actually monitor it because it seems like when it's within the Crowns, it's going to be more difficult to determine if it's actually meeting its goals and expectations.

**Mr. Cotter:** — The question with respect to the equity fund is a bit of a forward-going question and not directly the responsibility of our department, but let me give you some shape to that as best I understand it.

Pursuant to the present government's election commitments during the fall of 2003, work has been done to establish an Aboriginal equity fund of a certain dimension. I think, over the course of four years, the objective is \$20 million of resources to be invested in Aboriginal economic development opportunities across the province. The initial tranche of that, if I can describe it, is my understanding is that it's modest and is in the area of \$500,000. Understandably it will take a little bit of time to get this up and running . . . (inaudible) . . . but not necessarily expect a quarter of the money to be available immediately.

And the decision was taken by the cabinet to place the resourcing for that investment within an entity of the Crown corporations. So as a result, we are not directly responsible for it. We are being given the opportunity to offer some advice in terms of the kinds of economic development opportunities that might be wisely pursued, but it will be managed by others, at least in its initial stages.

**Ms. Draude:** — On page 207 of volume 2, it says that . . . did provide some information and basically that the money . . . it appeared to me that the monies within the First Nations Fund, they were unable to determine where this money had gone to, but it was, the next issue was that the reports examined were not adequate because they didn't show the objectives for spending the money. So am I led to believe that the money was spent in a way that could be considered properly spent, but it's just that they hadn't determined beforehand what they were going to spend the money on?

**The Chair:** — If I could just interject, are we going to go into First Nations Fund? Is that the area you want to go into now?

**Ms. Draude:** — Oh, okay. I was trying to follow within the 2002 report.

**The Chair:** — Because there are two recommendations in chapter 5 with regard to Aboriginal employment.

**Ms. Draude:** — Okay, well I can leave that.

**The Chair:** — I think perhaps we should deal with those two recommendations and then move on to the First Nations Fund. Is that all right, Ms. Draude?

**Ms. Draude:** — Sure.

**The Chair:** — There are recommendations on page 106 of chapter 5 of volume 1 of the 2003 Report. The first recommendation is:

We recommend that the department take adequate steps to ensure the information used to evaluate its progress toward increased participation of Aboriginal people in the provincial workforce is consistent and reliable.

I'll entertain a motion. Mr. Yates.

**Mr. Yates:** — Thank you, Mr. Chair. I would move concurrence and note progress.

**The Chair:** — There's a motion to concur and note progress. Is there any discussion on the motion? Are we ready for the question then? All in favour? Any opposed? It's carried.

A second recommendation on the same page:

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.

Again is there a motion? Mr. Yates.

**Mr. Yates:** — Yes, I'll move concurrence and note progress, Mr. Chair.

**The Chair:** — Again a motion to move concurrence and note progress. Is there any discussion? I'll call for the question then. All in favour? Any opposed? No. It's carried.

Thank you very much. Sorry, Ms. Draude, but I felt we should clean that up before we moved on to the next area. You have the floor again.

**Ms. Draude:** — Thank you very much. Okay I guess my question had been regarding the First Nations Fund, and on page 207 the Provincial Auditor has indicated that there was information provided on the money received, but the reports were considered not adequate because they didn't show the objectives for spending the fund's money and how they successfully achieved these objectives.

So I guess my question again is, was there the feeling that the money was spent correctly; it just wasn't indicated upfront how it should be spent? And that probably should be going to the Provincial Auditor instead of to Mr. Cotter.

**Mr. Wendel:** — I think what we're reporting in this chapter is there were problems with the way the First Nations Fund was monitoring the spending of public money, and we've made some recommendations in the past, and this particular report is a follow-up on their progress to date.

So with respect to the First Nations themselves, that the money that goes to the bands, there was some letters sent out by the First Nations trustees for the bands to provide some

information. Most of the bands had not provided the information — a few had — and what they had provided wasn't sufficient to know whether the money was going to be used for appropriate purposes.

The money that went to the Federation of Saskatchewan Indian Nations for the veterans' association and for the First Nations addictions council and for the FSIN (Federation of Saskatchewan Indian Nations) itself, again they had presented a plan, but the plan didn't set out any objectives as to what they were trying to achieve. And there was nothing to look at, at the First Nations Fund to know whether the money was used for the purpose intended. And the last part was, there were some payments that continued to be made without authority.

**Ms. Draude:** — In the First Nations addictions fund, did the department know beforehand which reserves were going to receive money from the fund?

**Mr. Wendel:** — The money that goes to the First Nations themselves is done on a per capita basis. And there's a standard amount, or it's based on a per capita, and the amount is paid to each of the reserves. So that information . . . there is an appropriate method for allocating the resources.

I think what we're questioning is, once you've decided how much each of these reserves is to receive, how much . . . what are they planning to spend their money on?

**Ms. Draude:** — See, I guess that was my question. So then the department and you weren't aware of where the money was going to go to. It was just given.

**Mr. Wendel:** — That's correct.

**Ms. Draude:** — And can you tell me the amount of money that is allocated per . . . on the per capita basis?

**Mr. Wendel:** — I understand \$12 million would have gone to the First Nations.

**Ms. Draude:** — So that's based on approximately 100,000 First Nations people? Or is there a . . . I just wondered if there's a certain amount per capita that's given out.

**Mr. Wendel:** — There's a certain amount per capita. And what we report in here is that \$12.5 million was paid to the First Nations.

**Ms. Draude:** — So then I guess my question would be, to the department, how many individuals would that be? Do I divide a certain number by 12 million?

**Mr. Cotter:** — We could do the math. I wonder if I could just offer a . . . With respect to the addictions observation that you made, Mr. Wendel was describing the strategy for per capita distribution of the gaming money that was going through the First Nations Fund to First Nations.

The fund trustees have also established some more global investments and expenditures, and that's what the First Nations addictions project is about. And then a couple of others with respect to which he has expressed concerns about the ways in

which the fund trustees, not so much on this aspect of sending money to individual bands, but in terms of some specific expenditures the fund trustees made that I think he regards as questionable.

On the subject of the distribution of the money to the individual bands, there would be . . . let me offer a rough number of the numbers of First Nations people in the province who would have an affiliation with a band. We're probably talking about in the neighbourhood of perhaps 90,000 First Nations people, so that you could use that formula to try to make a calculation about what the per capita distribution would be. That money goes to each of the band leadership in a way to try to enable that the benefits of gaming, the financial benefits of gaming are equitably distributed across the province, notwithstanding the fact that they may be a long way from an individual First Nations casino.

I'm not as quick with the numbers as others around the table, but you can get a rough idea of the financial resources. I think that probably works out to in the neighbourhood of \$100 per First Nations person. The money is not transferred to individual First Nations people, but is transferred by the fund trustees to an individual First Nation and in relation to the fund for the purposes of investment in one of, I think it's eight, legislated purposes. That might be related to education, health needs of the communities, economical development needs.

And my understanding of the concern of the auditor is not so much that the First Nations community and leadership don't know what the money is being provided to them for, but whether the reporting back to the fund and the auditor's access to that information is adequate. I think that's been the central concern.

Everybody can read the legislation and know what the resources are that are being made available to the First Nation and the purposes for which that money is being made available, but it is more an issue of access to . . . the quality of accounting back, and access to that accounting that is the central issue, I think.

**Ms. Draude:** — So the objective, there's eight objectives that this money could be spent on by First Nations people, but what actually happens is money is being sent out on a per capita basis. And at the end of the day, we're not sure where the money is being spent; it's just being spent.

**Mr. Cotter:** — Well I think we have some understanding of the way in which the money is being spent by the First Nations leaders. The issue I think is whether it is sufficiently and completely accounted for by the fund trustees . . . to the fund trustees and then ultimately to the auditor. And we have been pressing the fund trustees to ensure that there is an adequate degree of reporting back to them by First Nations, and then availability of that information to the auditor.

I think as you will also know, in the last 18 months we have negotiated a different regime to ensure that the material is adequately audited, though not by the Provincial Auditor but by independent, professional auditors retained by the First Nations Trust. And we have negotiated — and in some cases pursuant to advice from the auditor — a regime of accountability back to us as needed so that, if we are not satisfied in our supervisory



responsibilities in relation to the new First Nations Trust, we can call upon access to the reports of information that the trust trustees will be receiving from First Nations.

**Ms. Draude:** — Thank you. I know that with the change in legislation that saying that we now have a First Nations Trust, instead of a First Nations Fund, the difference is it's not a Crown, so that means the auditing process will be different. But is there really any plan by the department to determine if the money was spent in the fund before the trust was set up, is properly managed? Is there determination to go back and do that, or is it just going to be . . . are we just going to go on from here?

**Mr. Cotter:** — With respect to the trust, we have worked out in the negotiations under the new gaming agreement an expectation that the trustees will be more professional in their experience and not drawn so much from the political environment of First Nations communities.

Secondly, more rigor in terms of our access to information . . . and also worked out, though not in the legislation but in the gaming agreement and the trust indenture the uses to which the money can be put by First Nations. And an expectation that those First Nations will, as part of the receipt of that money, commit to an accountability back to the trustees. And that professional auditor will then review that and advise whether the resources that were made available to those First Nations are properly or not properly accounted for. And if we are not comfortable with the quality of the reporting that we get from the trustees or the quality of the auditor's view, we will be able to intervene and look at that material directly.

Now that has all been worked out in advance of the money being made available to the First Nations Trust. That money only began to flow to the trust trustees in October of 2003, so there is about three-quarters of a year of their having the resources to do their business. We have not yet received the reporting back but have been in communication with them to ensure, as best we can, that they will honour the commitments that exist in the gaming agreement and on the basis of which these millions of dollars have been made available.

**Ms. Draude:** — Thank you. I guess the only clarification I need, because I am confident that with the new agreement under the trust that there is a great desire on everybody's part to ensure that people are more accountable, but a number of these recommendations revolve around the original First Nations Fund . . . or trust . . . (inaudible interjection) . . . fund.

And so my question is, is there a plan or a . . . in the department's mind, to go back and ensure that some of these recommendations can be looked at so that people are confident that the money spent previous to 2003, or August of . . . October 2003, was spent in a way that would meet objectives?

**Mr. Cotter:** — I haven't personally gone to try to see the books at the First Nations Fund, but I have written again in May of this year to urge full compliance by the fund trustees with the auditor's expectations. I haven't got a response to that. The relationship is a good one with the fund and the fund trustees, and the political organizations with which they are affiliated. They understand the needs and they understand the expectations

of the Provincial Auditor.

And at this point I'm hopeful that we will get compliance but I can't say on the basis of, you know, the experience of the last couple of years that that compliance and co-operation is assured. But I am hopeful that we will get a more complete co-operation, particularly as we try to close out the books of the fund and move on to a world where we're governed by the trust and its rules.

**The Chair:** — Mr. Hart.

**Mr. Hart:** — Thank you, Mr. Chair. Mr. Cotter, I must admit that I haven't quite fully grasped all the various funds and the changes in structure, that sort of stuff. And perhaps you could help clarify some of this for me. The First Nations Fund was established a number of years back I understand. And the proceeds of Indian Gaming were put into this fund to be distributed to the various First Nations across the province; is that correct?

**Mr. Cotter:** — Could I just make a slight qualification to what you've described? Yes, but as the auditor would remind you and me, the money that makes its way to the First Nations Fund, or has made its way up until last summer to the First Nations Fund, is partly, if you were to trace it back, partly profits made by the First Nations casinos — First Nations-run casinos — and partly from the profits made from the Regina and now Moose Jaw casinos of the Saskatchewan Gaming Corporation. It all makes its way to, I think of it as the deputy minister of Finance, and then makes its way back out.

And it is I think on that basis . . . I'm not as sophisticated as Mr. Wendel on any of these points, but that is the basis upon which the Provincial Auditor identifies these as public funds for which he has a responsibility to ensure quality accountability. But essentially you are right, except that the money kind of flows in and then goes back out.

**Mr. Hart:** — I guess I just short-circuited it a bit but I'm, you know . . . yes, I've had the understanding and I'm glad you clarified it that these are public funds that we are talking about today. And as indicated in the volume 2 of the 2002 auditor's report, some \$12.5 million was distributed to First Nations in that year.

Now could you just explain the process of the distribution of this money? Do the First Nations communities have to apply for some of those funds? Is it distributed . . . I believe my colleague, Ms. Draude, talked about per capita, so I'm assuming is it on a per capita basis that all bands receive a portion of that \$12.5 million?

**Mr. Cotter:** — The latter is the arrangement. When the gaming agreements were initially negotiated in roughly 1995, and the province agreed to sort of share the market, if you like, with respect to gaming in the province, and to make it possible for First Nations to participate and see some income flow coming their way, and greater opportunity to participate in the jobs related to gaming; one of the conditions that the province insisted upon in those negotiations was to try to see the benefits of gaming — the economic benefits of gaming — distributed more diversely than has existed in other, some other locations.

And most notably in the United States, where you may be familiar with — and I'm making this up, but it's pretty close to true — a band on the edge of Phoenix, let's say, might be able to establish a casino. And because it's wonderfully located with respect to a market of potential customers, does very well and earns a lot of money for the benefit of that band only. And they may end up being quite well off compared to other communities further away who have and get nothing as a result.

So the province's position was that even if you were a First Nation a long ways away from any market, these benefits should be distributed in as equitable a way as possible. So the First Nations Fund was established to enable some province-wide initiatives to be pursued, like addictions support, and some other more global initiatives.

But the largest share of the money gets distributed on a per capita basis to each of the bands. So for example, the La Ronge Band which is a large band but a long way away from a market, would get a respectable amount of the 12 million or whatever it happens to be in any particular year. Some of the smaller bands would get less.

The money varies because it is dependent upon this collective profitability of the casinos, the First Nations' casinos and the province's casinos in any one year.

**Mr. Hart:** — I guess my question would be then to you, did the department provide the trustees and the First Nations with perhaps a template as far as reporting how the funds were spent?

I would suspect that some bands certainly would have the resources and the capability of preparing proper reporting reports or procedures and reports; other bands may be fairly limited in that ability. And so I'm wondering what type of steps did the department take to ensure that there was proper reporting at the band level? Did you provide a form as such that the bands could fill out, you know fill the appropriate . . . in the appropriate spaces and account for the money or were the bands left to their own devices to come up with an accountability and an accounting of how they use these funds?

**Mr. Cotter:** — We had a little bit more confidence I think than you describe that all of the bands would be fully able to provide accounting with respect to this information. They receive significant amounts of money each of them from the federal government for which, although I don't have the . . . I'm not acquainted with the details of their accountability, they have those mechanisms already in place.

Our expectation was that the First Nations Fund trustees and we in the Saskatchewan Liquor and Gaming Authority shared with them our expectations of how to be professional, responsible, accountable trustees of a fund because they're the distributing agency to the First Nations. But we didn't provide them with a template for, you know, how much did you spend on an after-care program, how much did you spend on say, nurses in your community, and how much did you spend on home care.

We counted on both the trustees and the bands to be able to provide that in a, you know a quality way. And in our view, the ability certainly was there.

**Mr. Hart:** — But we've seen a number of problems as far as accountability of the monies that were being distributed. And certainly I have to agree with you that, you know, you would expect that there would be a capacity there. But I have seven First Nations communities in my constituency and I have heard from some band members from a number of the communities that, at the band level, the band members feel that there are problems with accountability. And I think it's important that your department ensure that the accountability process and resources are there.

And obviously I would have to assume, if we're having some major problems in some of the bands — some bands are under third party management and those sorts of things, which has evolved over a period of a couple or three years — I think it's incumbent upon the department to assist the bands in this, and the trustees in this accountability process.

Again, that's a subject that has to be dealt with, I guess, with a certain amount of diplomacy and so on. We certainly don't . . . we want to stay away from Big Brother telling these communities how to administer their affairs. But when we have, when we're dealing with public money and we're seeing deficiencies, I think I would suggest that perhaps the department needs to address that and provide some help in that area.

**Mr. Cotter:** — Maybe I could respond briefly. I agree with virtually all of what you said. The issue, I think, has been probably less a lack of capacity and without 100 per cent guarantees, from my point of view and I think the department's, a high degree of confidence that the money was invested wisely. There are no doubt some people who think it should have been invested differently and it's conceivable that some of the money might not have been invested within the framework that was expected. And the auditor has made some observations about his anxieties there.

The central challenge I think has been a reluctance on the part of First Nations — and I observe your statement about the need for some diplomacy — the reluctance of First Nations to be prepared to accept that this is public money over which they should be accountable to the Provincial Auditor. And I think as . . . For those of us who have been involved in this exercise for the last few years, that has been a constant rhetorical and, from time to time, kind of legalistic sticking point in the relationship.

The department has taken the view that this is public money and has therefore pressed for better quality accountability within the bounds of some degree of diplomacy. And the solution that we have achieved, and we think a better one than the circumstances of the last couple of years, is to essentially evolve the First Nations Fund into a trust; to structure a way by which it can be understood that tighter accountability is required by those trustees, the new trustees of the trust; more disciplined accountability by those trustees back to the department, so that we will be able to, with less of the kind of controversy, fulfill our supervisory responsibilities.

We accept them. We think that this design in the new agreement will provide us with very explicit authority to do that, that the First Nations, the FSIN, and the First Nations trust trustees have accepted. And as a result we are confident that if

we or the Provincial Auditor . . . if we don't think the trustees are doing a good enough job in getting that accountability discipline, or the Provincial Auditor doesn't think we're doing a good enough job, we have now direct, explicit ways to get the information to satisfy ourselves one way or the other.

I guess it is in some respects the diplomatic solution, but it is, I think, a significant improvement in terms of what explicitly we can do if we don't think the information coming back to the trustees and back to us is sufficient.

**Mr. Hart:** — I wonder, could you describe what methods you have at your disposal to get that information? You said you have more explicit ways of getting the information. Could you perhaps just expand on that a bit?

**Mr. Cotter:** — Sure. Maybe I could initially describe to you the arrangement with respect to what is captured in the trust indenture and the seven or eight authorities that we do have. Some of these respond to more generic concerns that we've had over the years, and some of them respond to the more specific concerns that we might have.

Trustees shall participate in training to allow them to fully understand and fulfill their obligations. I don't want to say one way or the other whether it was poor quality of training that has presented some of the problems in the past, but there was . . . it made sense I think to establish that kind of a discipline.

Secondly, trustees shall develop and maintain fair and equitable methods for allocating money pursuant to the trust. In large measure that will be the per capita arrangements, but we wanted to see that underlined.

Trustees shall ensure that any payment made from the trust is made on condition that the money is only to be used for the purposes intended. There's a range of them, but there will be a discipline to see that the money is spent within that range.

Trustees shall require recipients of payments to provide annually a report that demonstrates that all money received from the trust was used for the purposes intended. So this is a report back to the trustees from the band, from the recipient. Most of the time that will be the individual First Nation. Trustees shall maintain adequate records of all transactions and shall prepare financial statements.

I should say parenthetically — and I have a couple of more to observe — much of this was developed with . . . I don't want to suggest that the auditor should be part owner of how well or poorly we do, but in consultation with the auditor in order that we could get quality advice.

An annual audit will be conducted by an auditor acceptable to the trustees, the FSIN, and the Government of Saskatchewan. Trustees shall prepare an annual report including audited financial statements, a statement of risk management practices on the part of the trustees, and compliance with such practices, as well as a list of all recipients of funding and the amount that they've received.

And trustees shall provide to the government copies of the auditor's management letter and their response, audited

financial statements, the annual report, auditor's reports upon request, and, upon request, access to reports submitted by the beneficiaries, meaning the First Nations.

And I think the last couple are the route through to a greater discipline and a greater ability of us to fulfill the supervisory responsibilities that you and I think the people of Saskatchewan expect of us.

**The Chair:** — Ms. Draude.

**Ms. Draude:** — Thank you again, Mr. Chair. I have a couple more questions on volume . . . on the 2002 report.

With respect to the Indian Veterans Association, was there and is there an actual business plan for the money that's spent through this association? I'll ask the Provincial Auditor.

**Mr. Wendel:** — What we've reported that the plan that was there was not complete. They were required to bring forward a plan but it wasn't complete.

**Ms. Draude:** — Has there been a movement towards a more complete plan in the last couple of years?

**Mr. Wendel:** — I couldn't say. We haven't had access since this report.

**Ms. Draude:** — Then I'll ask Mr. Cotter. In the department's opinion is there progress towards a more complete and acceptable business plan?

**Mr. Cotter:** — This is in relation to the funding that went to the Saskatchewan Indian Veterans Association?

**Ms. Draude:** — That's correct.

**Mr. Cotter:** — I don't have that answer at my fingertips but we can undertake to provide it.

**Ms. Draude:** — Okay. On page 206 under the First Nations Trust, the fund had revenues of \$14.4 million and expenses of \$14.4 million. I don't imagine that's coincidental. So I'm just wondering, is there an accumulation in the fund or a deficit in the fund at any time?

**Mr. Cotter:** — I can't tell you exactly the situation as of today. But it is, I think, both the trustees' and our expectation that the money will be expended each year for the purposes identified under the trust indenture now.

The trustees may make a decision to hold some, you know, some reserve. I think — I don't have it at my fingertips — but I think that would be within the authority of trustees that could be contemplated. But certainly the pattern has been, and I think it's the expectation of First Nation communities, that the money be available to support their needs in a timely way and that would mostly mean making all of the money from the trust that comes available in a particular year, available to address those needs. And that's the reason why I think the revenues and expenses match in that year, and by and large I think the objective of the trustee is to have that continue.

**Ms. Draude:** — The FSIN receives \$100,000 for administration of . . . On page 210 we have a breakdown of the money that was spent between the foundation, the association, the administration. The FSIN receives \$100,000 for administration. Is there anything, procedures in place to determine if that's the actual amount of money spent for that administration? Or could it be more, or less, and this is just what was paid for through the fund?

**Mr. Cotter:** — We don't have the detail on those actual expenditures, but my sense of it is, from looking at the number, it's a negotiated amount to provide the kind of physical location and support to the operation of the fund.

**Ms. Draude:** — My last question. On page 213 it talked about payments that weren't permitted — one was to Painted Hand, and to White Bear. Is there a determination that this money should be repaid in some way?

**Mr. Cotter:** — I think this is an example of some of the issues that the auditor identified in his view as being not permitted by law. The view of the FSIN and the view of the fund trustees is that this money was permitted by law. We have as a result been caught in a bit of a crossfire of legal perspectives, and we have not withheld any of these payments from the fund. And as I think as you know, at the present time, with the trust now having been established, we would be exercising authority over a new entity to, in effect, punish them for disputed behaviours of the old.

**Ms. Draude:** — The only money, this \$100,000 of administration, is this the only money that's going to the FSIN?

**Mr. Cotter:** — As far as I know, yes, talking about the context in which the auditor's had a look at the records.

**Ms. Draude:** — That's my only questions on this page, then.

**The Chair:** — Just a couple of questions that I would like to ask. First of all to the auditor, of the \$14.4 million expended in the year ending March 31, 2002, how many of those dollars would you say were applied properly according to the criteria laid out for the fund? What number of those dollars can you just simply not account for, whether they were properly expended or not? And what number of dollars would you say were misappropriated?

**Mr. Wendel:** — Mr. Chair, what we're saying in this report is for the \$14.4 million that was given to the First Nations Fund, we're not able to determine whether the money was spent appropriately, other than the two payments that we earmark and say that we don't think those particular payments were with authority. The rest, we're unable to determine if the payments were with authority.

**The Chair:** — We're unable to say that any of the money was properly accounted for?

**Mr. Wendel:** — I'm not able to determine that. Yes.

**The Chair:** — Okay. And then just finally, a question to Mr. Cotter. Would it be fair to surmise that one of the reasons for the change from the First Nations Fund to now the trust was to

escape some of the problems of the past and try to start from a fresh page?

**Mr. Cotter:** — I think it's fair to say that it's intended to impose a more explicit ability to exercise oversight over the trust trustees and encourage them in a firmer way to get the kind of discipline they need to have with respect to the recipients of the money. So, kind of describing in that slightly larger way than yes or no, I would say yes.

I think there is an expectation that this money be wisely accounted for, whether it is public money or not. And our interest has been to ensure that it would be wisely accounted for and that we can fulfill the supervisory responsibilities the auditor has identified and I think he would expect of us.

And the explicit nature of the provisions of the trust indenture, I think, strengthens our ability to do that noticeably. And it has been a partnered arrangement, so I think as a result we have a fairly high expectation that, if I can put it this way, our partners will deliver as needed. So overall, having kind of shaped it a little bit, I would answer your question with yes.

**The Chair:** — And would it also be a fair observation that your department, or whoever would be the responsible entity, are not prepared to try to rectify some of the problems with the old First Nations Fund, that that's just going to be left alone and sort of forgotten?

**Mr. Cotter:** — I wouldn't put it in quite those terms. I would put it this way. We continue to seek the kind of information that the auditor has described he needs to provide the necessary verification that all of us would be looking for.

We have achieved a greater discipline with respect to the annual report we've received from the fund for 2002-2003. I think it doesn't go quite as far as the auditor would like. It categorizes the expenditures by the various bands. So we have made progress, I think, from more difficult days in the past. We haven't gone all the way there. We continue to look for a resolution of the '03-04 fund exercise. But you are right in some respects. We are trying our best to also turn a new page with a greater discipline regarding this money.

**The Chair:** — Let me rephrase that. The government, as far as you are aware, are not planning any legal action or trying to recover any of the funds that the auditor suggests were not properly accounted for?

**Mr. Cotter:** — With respect to these funds, as far as I'm aware, no legal action is contemplated.

**The Chair:** — All right, thank you. I think we should now move to volume 3 of the 2003 Report. Again I would open up the floor to any questions. Ms. Draude.

**Ms. Draude:** — Thank you. Before I totally leave the last one, I'm wondering if we can get the details of the new trust fund, the determination of how the money can be spent. I imagine there's probably a breakdown and a guidelines of how the money should be spent. Could we get a copy of that?

**Mr. Cotter:** — Sure, I could get that information to you. I don't

know that I have it in a neatly organized way at this moment, but I can get it to you within the next day or so.

**Ms. Draude:** — I appreciate it. When I'm looking at the related funds and agencies under this new chapter, the Municipal Potash Tax Sharing Administration Board is on here. And it seems to me this . . . I don't understand why this board is working within the First Nations Fund and the Métis Fund and the northern revenue sharing fund.

**Mr. Cotter:** — I don't know whether this is a question for me or for the auditor. Essentially the department is more broadly based than just the Aboriginal affairs dimension of it. And you'll see that Mr. Steeves has joined me at the table because the division . . . what used to be a Department of Municipal Affairs was merged with Intergovernmental and Aboriginal Affairs in the spring of 2002 to become one governmental department, I think, because of the nature of the relationship with municipalities, with the federal government, with other provincial governments, with First Nations governments in particular.

So Municipal Affairs became the kind of . . . let me call it pure components of the old department; the pure Municipal Affairs relationship became part of the Department of Government Relations and Aboriginal Affairs a couple of years ago. One component of that division is the Northern Revenue Sharing Trust Account and the board, which receives resources from the province to . . . from sort of the Consolidated Revenue Fund, to deliver a certain set of services and resources for services in northern Saskatchewan.

So it's kind of a . . . I mean it's referred to as a . . . I see Mr. Wendel looking at me to see if I can explain the accounting nature of this with the proper skill, and I'm sure I'll fail. But it's essentially a trust account kind of inside of the government's operation and an authority provided to a board to administer a set of resources for a certain set of northern Saskatchewan needs. And it's inside this operation and this mix of reports, because of the auditor's work in reviewing the whole department — the Aboriginal component, the municipal component, and . . . (inaudible) . . . components as well.

**Ms. Draude:** — So then my follow-up to Mr. Wendel will be: does this money, the proceeds from this fund go just to northern Saskatchewan, or to Aboriginal people?

**Mr. Wendel:** — The money that's in this fund is for the people that live north of a geographic line, and it's — I don't know how to describe it — northern administration district. And they provide water and sewer operations and grants and those kind of things for the northern communities.

**Ms. Draude:** — Okay. I need some clarification. On page 189 it discusses the cabinet through orders in councils, authorizes the department, provides CDCs (community development corporation) with program money. And in addition, through . . . the cabinet through orders in councils approves agreements with FSIN and places restrictions on the CDC spending of money. Can somebody clarify that for me? Maybe I'll start with Mr. Cotter.

**Mr. Cotter:** — Perhaps I misunderstood your earlier question,

and maybe that was what the motivation for Mr. Wendel enjoying me kind of stewing in my own juice here. With respect to the community development corporations, let me separate that from the conversation regarding Municipal Affairs. Part of the agreement, the gaming agreement contemplates the establishment . . . the resourcing that goes back to First Nations and the way that we've talked about the First Nations Trust.

But also what has been agreed to is the establishment of four community development corporations in the roughly municipal areas where the four First Nations casinos operate. So one is in the area of Kenosee and White Bear, one is in the area of North Battleford and the Battlefords, one is in the area of Yorkton, and one is in the area of Prince Albert.

The community development corporations are established to . . . And they receive funding also through the department for which I'm responsible, on a quarterly basis, to . . . for the community development corporations' boards to make investments in initiatives, again according to a set of criteria in the general geographic area where the community development corporation exists, and quite frankly where the First Nations community's casino exists.

The amount of that money is similarly negotiated . . . was similarly negotiated in the gaming agreements and is a smaller portion of the gaming agreements that is redirected to support community development initiatives. Some of that may go to good ideas on First Nations communities, but also in the larger area. So for example in North Battleford there are a series of economic and social investments that the community development corporation might be making to support the needs of the Aboriginal and non-Aboriginal community in North Battleford.

And there are four of those, the fourth of them which is the Bear Claw Community Development Corporation in the Carlyle-Kenosee area, has been the last to be set up, and is I think just this fiscal year beginning to receive a portion of money coming its way from that pool of gaming resources that was negotiated to go for community development corporations.

**Ms. Draude:** — Okay. Thank you then. So that it's a separate fund from the amount of money that is administered through the FSIN.

**Mr. Cotter:** — That's correct. It's actually administered pursuant to the gaming agreement the FSIN negotiated, but the money goes to four distinct, I think, not-for-profit corporations that have been established in those four areas with their own separate board of trustees or board of directors.

**Ms. Draude:** — What percentage of money goes to the CDCs and what percentage to the FSIN?

**Mr. Cotter:** — I'll need some advice on the actual division. Twenty-five per cent of the net profit from the First Nations, that is the SIGA (Saskatchewan Indian Gaming Authority) casinos, and 25 per cent . . . Right. It's 25 per cent of the funding from the First Nations, that is the SIGA casinos, goes to these four community development corporations in a negotiated proportion among the four, I think tied to the profitability of the four casinos.

And Donavon just reminded me that the — to, if I may be so bold, correct you a little bit — by comparison, the other funding doesn't actually go to the FSIN, it goes to the First Nations Trust. And the only amount that goes directly to the FSIN is the \$100,000 administration fee.

**Ms. Draude:** — I stand corrected. On page 193, it says:

... August 1 ... *The Saskatchewan Gaming Corporation Act* was changed. The new Act ... (provided) the Minister with the authority to wind-up the Fund once he receives certain information from the Trustees of the Fund.

Has he received this information?

**Mr. Cotter:** — We don't have it yet. We're actually waiting for the kind of annual report and the accountability points that are related to Mr. Wendel's earlier observations. That is, we are looking for the quality of accountability for '03-04 that we need.

The fund received one of the quarterly payments for '03-04 and the other three quarterly payments went to the First Nations Trust once it was established. So what we are looking for is the information in relation to that one quarterly payment and the discipline around its spending and, once we have that, we would move to wrap up the fund. It will presumably have spent all the money it received in that 14 million observation you made earlier, and then will become defunct.

And the resources and spending and accountability with respect to that money into the future — three-quarters of last year and into the future — will all be dealt with in relation to the First Nations Trust, the newly established First Nations Trust.

So this point reflects the changes and the need for closing out the books in an accountable way with respect to the fund that got, by comparison, a modest amount of money in '03-04 and won't get any more in the future.

**Ms. Draude:** — Thank you. Now I just want to move on to the Northern Revenue Sharing Trust Account. And I understand, from reading the last report that came out from the Provincial Auditor this year, this is an issue that's still ongoing. And so I need some background on this with the management board, the number of people on the board and the qualifications of these people.

**Mr. Cotter:** — The board for the NRSTA (Northern Revenue Sharing Trust Account) has a composition of eight and it is made up of a combination of mayors in northern communities, or councillors or administrators of those northern towns or villages. So they tend to be either elected officials or public officials serving communities in the North.

**Ms. Draude:** — Is there any appointed officials from the department?

**Mr. Cotter:** — I don't think we have any members on the board. We provide staff support to the board but we are not actual ... None of my colleagues are members of the board.

**Ms. Draude:** — Was your department surprised when this issue

was brought up, that there was an accountability issue here?

**Mr. Cotter:** — We were becoming more and more aware of it as the auditor did the work toward the December 2003 report. And we have recognized, I think, in the last number of months a loss of discipline around the decision making of the board and the department's approvals. We've been able in the last few months to move to correct some of them which were oversights of a technical nature, approving the board per diems, for example, and more timely decision making with respect to their budgets and financial statements.

The more recent set of recommendations — and quite frankly we concur with them all and it's wise advice for us — we think we can respond to fully; both the ones that were made in December and the ones that have been made more recently, we can respond to fully this calendar year.

**Ms. Draude:** — What's the per diem or remuneration that's given to the members of this board?

**Mr. Cotter:** — It's \$155 a day.

**Ms. Draude:** — Is there conflict of interest discussions between the board members and ... to different projects where money is actually allocated?

**Mr. Cotter:** — I think it would be fair to say that we've had an expectation that the board members themselves would identify whether there were conflicts of interest in decision making. There is a, you know, an existing set of understandings in the municipal sector about what would constitute a conflict of interest, and we have not policed that exercise of the board members with respect to conflicts.

**Ms. Draude:** — Are you going to be?

**Mr. Cotter:** — The problems we have with respect to the trust account are not related to issues of conflict of interest, they're related to more of an accounting and oversight discipline, as I read the — and the planning discipline — as I read the auditor's observations and our own internal assessment. We need to think about whether it is us who should have the primary responsibility for disciplining or oversight with respect to conflicts of interest.

Quite frankly, my own preference would be to work on the problems we've got and if there's an idea in relation to conflict of interest that ... where we do have a problem, we would deal with it.

But the group that serves as the trustees are a quite professional, responsible group. The issues, quite frankly, are more in terms of we need to assist them in a greater planning role and then we need to exercise our own responsibilities with respect to the kind of accounting discipline in relation to the board. No conflicts of interest in relation to the board and its decision making have been brought to my attention in the two years during which I've had oversight of the NRSTA.

**Ms. Draude:** — The auditor made the statement that the department needs to document its process to recover the Northern Revenue Sharing Trust Account spending on land

development. What is that involving, and what . . . and do you have . . . What is the process involved in recovering the money and how much money are we talking about?

**Mr. Cotter:** — The spending with respect to land development for communities is structured as a kind of a revolving fund in which resources, financial resources, might be made available to an individual community in order to pursue land development, rezoning, the kind of preparation for housing, you know, the sewer and water kind of exercise if possible, and then that that money would come back from the community to the Northern Revenue Sharing Trust Account and to the board.

The auditor I think has signalled, I think, a degree of lack of confidence that those communities in every case will be able to pay the money back. But the board intends to get that money back, and that's the direction that they have indicated they intend to pursue.

**The Chair:** — Colleagues, if I could interject, we've used the hour and twenty minutes that we have allocated to us. Perhaps we've bitten off just a little bit more than we could chew in this time frame. I think there still is some material in chapter 7 that perhaps some of my colleagues will want to pursue a little farther; I'm not sure.

There are also seven recommendations in this chapter that we will have to deal with and don't have the time to do it this morning, so we will have to defer this. I'll discuss with my colleagues, particularly Mr. Borgerson, whether we need to bring back the officials for an extended period or whether we can come back and just deal with the recommendations at a later date.

Mr. Cotter, I want to thank you and your officials for appearing before us. I want to thank my colleagues for the questions and the motions that were brought forward. And I declare that this meeting is adjourned.

The committee adjourned at 11:58.





