
4.14—Ontario Native Affairs Secretariat

(Follow-up to VFM Section 3.14, *Special Report on Accountability and Value for Money—2000*)

BACKGROUND

The Ontario Native Affairs Secretariat works with First Nations, Aboriginal organizations, and businesses to build strong, prosperous, and self-reliant Aboriginal communities. The Secretariat conducts land-claim negotiations on behalf of the province, implements land-claim settlements, provides core and capital funding for Aboriginal organizations and projects, and fosters Aboriginal economic development. Expenditures directly managed by the Secretariat for the 1999/2000 fiscal year were \$18.7 million, and comparable expenditures for the 2001/02 fiscal year were \$16.2 million.

In our *Special Report on Accountability and Value for Money* (2000), we found that although the value of land claim settlements was adequately supported by independent evaluations or other evidence, improvements were needed in the timeliness of reporting and accountability by First Nations for the use of funding provided to them for land claim negotiation costs.

For the two capital programs funded by the Secretariat but delivered by two other ministries, we found that secretariat monitoring was inadequate and that the arrangement whereby the Secretariat funded but ministries delivered these programs blurred the lines of accountability.

In its advisory role, the Secretariat helps co-ordinate Aboriginal-specific programs delivered by other ministries. Expenditures for these programs exceeded \$370 million annually. We concluded that the Secretariat needed to improve the timeliness of, accessibility to, and level of detail in its database of information on these programs.

Accordingly, at that time we made a number of recommendations for improvement and received commitments from the Secretariat that it would take corrective action.

CURRENT STATUS OF RECOMMENDATIONS

Based on information obtained from the Secretariat and our review of this documentation, the Secretariat has been proactive in addressing our recommendations and some have been substantially implemented. The current status of the Secretariat's action on each of our recommendations is as follows.

LAND CLAIMS

Negotiation Funding

Recommendation

To improve accountability for the funding of Aboriginal land claim negotiation costs, the Secretariat should:

- *consider holding back a percentage of each year's funding until it has received the required final reports and audited financial statements for that year;*
- *establish a standard format for financial reports and audited financial statements to facilitate analysis of significant variances from budget and identification of ineligible expenditures and funding surpluses; and*
- *fund projected negotiation costs only through the contribution agreement process.*

Current status

Since our 2000 audit, the Secretariat issued a new negotiation funding guideline, which introduced a provision to hold back 15% of the annual funding, to be released once the Secretariat has reviewed and approved the required final financial reports and the audited financial statements.

The Secretariat has also developed new standardized reporting requirements for annual budget submissions, financial reports, and audited financial statements. These new requirements have been incorporated into the 2001/02 contribution agreements. The required formats for the financial reports and the audited financial statements were also outlined in the contribution agreements.

Finally, in March 2001, the Director of the Secretariat's negotiation branch issued a memo to all negotiators, directing them to make every effort to avoid paying projected negotiation costs as part of a settlement.

Land-claim Costing

Recommendation

To assist with the evaluation of future land claims and enhance accountability for the cost-effectiveness of the program, the Secretariat should identify and track the total cost of each land claim.

Current status

In addition to tracking transfer payments and other costs, such as professional services, for each individual land-claim negotiation, in 2001/02 the Secretariat began tracking the cost of the time worked on each land claim by negotiators and legal support staff.

PROGRAMS ADMINISTERED BY OTHER MINISTRIES

Recommendation

In order to eliminate unnecessary overlap of monitoring and administrative activities, the Secretariat should in future strive to avoid taking on funding responsibility for programs that more appropriately could be administered by other ministries.

While the current funding arrangements remain in place, the Secretariat needs to improve its monitoring of these programs in order to know whether they are functioning as intended or need corrective action.

Current status

We were advised by the Secretariat that, since our audit, it has not taken any new funding responsibilities for programs that could more appropriately be administered by other ministries.

The Secretariat signed a new partnership agreement with the Ministry of Northern Development and Mines (MNDM) specifying new standards for it to report progress on the Canada-Ontario Infrastructure Agreement, which MNDM administers for the Secretariat.

CORE FUNDING FOR ELIGIBLE ABORIGINAL ORGANIZATIONS

Recommendation

To improve the budgeting process and the monitoring of expenditures for the Aboriginal Organizations Core Funding Program, the Secretariat should ensure that:

- *budget submissions are sufficiently detailed to enable the Secretariat to provide funding commensurate with the demand for and value of the services to be provided; and*
- *all management letters are obtained, relevant issues identified, and significant control deficiencies are followed up on a timely basis.*

Current status

The three organizations that received core funding were informed in writing in June 2001 that budget submissions to the Secretariat had to provide more details on specific plans, projects, and anticipated outcomes. In addition, the Secretariat issued an “addendum regarding additional requirements for the 2001-2002 budget submission to Ontario’s Aboriginal Organizations Core Funding Program” that specified the information to be included in the budget submissions.

However, core funding is still historically based. Each organization receives the same amount of funding from year to year, regardless of its plans or expenditure patterns. We were

informed that the Secretariat is planning a program evaluation of the core funding program that will include an examination of the basis for funding levels.

In cases where significant control deficiencies are identified, the Secretariat requests and receives response letters from the core funding recipients that outline the steps they are taking to address the deficiencies.

CO-ORDINATION OF ABORIGINAL PROGRAMS

Information for Decision Making

Recommendation

To improve the usefulness of its database as a tool for government-wide co-ordination of provincial programs and services with expenditures of over \$370 million delivered to Aboriginal residents, the Secretariat should:

- *obtain information on program services and results in addition to the financial information it currently collects;*
- *integrate the information obtained on the Building Aboriginal Economies Strategy and the Working Partnerships Program into the database; and*
- *take steps to make the database directly accessible to program managers in the 16 ministries delivering programs and services to Aboriginal residents.*

Current status

The Secretariat raised the database improvement issue with the Deputy Ministers' Committee on Aboriginal Issues. However, the committee concluded that there was insufficient benefit to justify the collection of additional information on program services and results for the Aboriginal expenditure database.

The Secretariat advised us that it will not include output-based information from the Building Aboriginal Economies Strategy in the expenditure database. However, it has begun tracking expenditures of participating ministries and combining this information with the results achieved from the Building Aboriginal Economies Strategy and the Working Partnerships Program.

The Secretariat informed the chief administrative officers of all ministries with Aboriginal expenditures in writing that the Aboriginal expenditure database information is available to program managers.

Building Aboriginal Economies Strategy

Recommendation

In order to properly assess the performance of the Building Aboriginal Economies Strategy, the Secretariat should ensure that reported results actually arise from Building Aboriginal Economies Strategy initiatives.

Current status

The Secretariat hired two consulting groups to review and assess the Strategy's data tracking systems at participating ministries. The consultants expressed concerns that were similar to those we expressed in our 2000 report regarding the accuracy of performance data for the Strategy that is collected by the Secretariat. One consultant made specific recommendations to improve four ministries' systems. The Deputy Ministers' Committee on Aboriginal Issues requested that the four ministries notify the Secretariat by January 11, 2002 as to whether they would implement the specific consultant's recommendations relating to their systems. At the time of our follow-up, two ministries had still not notified the Secretariat. We were informed that they subsequently complied with the request.