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**Department of the
Solicitor General of Canada
Report on the Audit of the
Lesser Slave Lake Indian Regional Council
Tripartite Policing Agreement**

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PROBANTS ET

EFFICACES

January 29, 1999

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**Department of the
Solicitor General of Canada
Report on the Audit of the
Lesser Slave Lake Indian Regional Council
Tripartite Policing Agreement**

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1. INTRODUCTION

An audit of the tripartite policing agreement, dated March 14, 1995, between the Department of the Solicitor General of Canada (Department), the Lesser Slave Lake Indian Regional Council (Regional Council), and the Ministry of Justice and Attorney General of Alberta (Alberta), was conducted on behalf of the Department's Aboriginal Policing Directorate. The audit was undertaken in December 1998.

The subject of this audit is the contribution of \$900,000 (Department \$468,000, Alberta \$432,000) provided to the Regional Council to operate policing services for the Reserves, between April 1, 1997 and March 31, 1998.

The Regional Council has the full responsibility for supervising the Lesser Slave Lake Regional Police Service (recipient) which is entrusted with the duty for maintaining peace, order and public security; for providing residents on the Reserve with a sense of security and safety from crime; for preventing crimes and other offences; and, for apprehending offenders and bringing them to justice.

The period covered by the agreement is April 1, 1995 to March 31, 2000.

2. AUDIT OBJECTIVES

2.1 The general objectives of the audit were:

- 2.1.1 to ensure that claimed expenditures have been incurred by the recipient and are in accordance with the contribution agreement, and departmental and central agency guidelines;

- 2.1.2 to verify and report the costs incurred and claimed, and indicate the concurrence, or otherwise, of the recipient with the audit findings; and
 - 2.1.3 to bring to the attention of the Department any matters considered to be of significance or requiring management action.
- 2.2 Specific objectives included determining that:
- 2.2.1 the recipient met both the financial and non-financial terms of the contribution agreement;
 - 2.2.2 as they relate to the contribution:
 - financial operations were conducted properly;
 - financial statements were presented fairly;
 - financial reports contained accurate and reliable information; and
 - 2.2.3 the recipient had an adequate internal control system to account for, and manage, the contribution received.
3. AUDIT SCOPE
- 3.1 The audit scope was limited to the verification of the recipient's financial records, supporting documentation, and claims for the period April 1, 1997 to March 31, 1998, and included:
- an examination and assessment of the quality, propriety and accuracy of the recipient's financial records, accounting procedures and internal controls, as they relate to the costs charged under the terms of the agreement; and

- an assessment of the reasonableness and eligibility of the expenditures incurred or charged in accordance with generally accepted accounting principles, and with the terms of the agreement.

3.2 The audit was conducted in accordance with generally accepted auditing standards, and in accordance with the Office of the Comptroller General's guide on the audit of Federal Contributions.

4. AUDIT APPROACH

Our approach was based on recognition of the need to focus on the key issue, which is the compliance by the recipient with the terms and conditions of the contribution agreement, and primarily to ensure that claimed expenditures have been incurred, and the recipient is meeting the financial terms of the agreement.

The audit was undertaken in three phases:

- planning;
- field work and analysis; and
- reporting.

The planning phase included an orientation/familiarization with the mandate, obtaining information and documentation from the Department, developing the detailed audit program, and arranging the on-site visit with the recipient.

The field work and analysis consisted mainly of undertaking the detailed audit program to gather evidence to support our audit opinion, findings, and conclusions. The principal audit activities included interviews with the recipient's representatives, an examination and evaluation of accounting systems, controls, and the results of the tests conducted on the books and records and supporting documentation of the recipient as they relate to this contribution, and obtaining the recipient's response to the audit findings.

The reporting phase involved an analysis of our findings, and the formulation of an opinion on the information obtained from the recipient, for inclusion in the audit report. In addition, we have debriefed the Department's Management Review Division on the results of the audit.

5. CONCLUSION

The audit indicated that the activities undertaken to operate the Lesser Slave Lake Regional Police Service appeared to be consistent with the stated objectives of the project.

In our opinion, the Lesser Slave Regional Police Service did not maintain adequate controls over expenditures funded by the tripartite policing agreement. Expenditures and commitments were incurred to purchase residential property for \$132,500 despite the fact that Canada, the main contributor under the agreement stated that purchase of residential property is unacceptable.

Based on our examination, after the audit adjustments of \$235,986 or 26% of the reported amounts, we believe that the audited amounts are in accordance with the tripartite policing agreement.

Our audit revealed that the Lesser Slave Lake Regional Police Service has generally met the non-financial terms of the contribution agreement.

Details of the audit findings are presented in the Auditors' Report, and supporting Schedules 1 and 2.

6. AUDITOR'S REPORT

January 29, 1999

3300761 01

Director General
Aboriginal Policing Directorate
Department of the Solicitor General of Canada

Lesser Slave Lake Regional Council Tripartite Agreement on Policing Dated March 14, 1995
Period Audited: April 1, 1997 to March 31, 1998

We have audited the accounts and records of the Lesser Slave Lake Regional Police Service, insofar as they pertain to the amounts claimed for the above project.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the amounts claimed are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the claims. An audit also includes assessing the accounting principles used, and significant estimates made by the recipient.

In our opinion, the audited amounts of \$904,425 presents fairly, in all material respects, the costs allowable under the terms of the agreement. Supporting information and related comments are provided in Schedules 1 and 2.

The audit results were discussed with the Chief Executive Advisor, Lesser Slave Lake Regional Council, the Chief of Police and the administrative staff of the Lesser Slave Lake Regional Police Service. Their comments are detailed in Comment 5 of Schedule 2.

Consulting and Audit Canada

VANCOUVER, BRITISH COLUMBIA

Lesser Slave Lake Regional Police Service
Summary of Budgeted, Reported and Audited Amounts
April 1, 1997 to March 31, 1998

	<u>Budgeted Amounts</u> ⁽¹⁾	<u>Reported Amounts</u> ⁽²⁾	<u>Audit Adjustments</u> ⁽³⁾	<u>Audited Amounts</u> ⁽⁴⁾
Revenue				
Alberta	\$ 432,000	\$ 432,000	\$ -	\$ 432,000
Department	468,000	468,000	-	468,000
Interest Income	-	26,080	-	26,080
Other (Schedule 2, Comment 10)	<u>-</u>	<u>27,018</u>	<u>-</u>	<u>27,018</u>
	<u>\$ 900,000</u>	<u>\$ 953,098</u>	<u>\$ -</u>	<u>953,098</u>
Expenditures				
Wages and Benefits	\$ 545,085	\$ 515,468	\$ -	\$ 515,468
Depreciation	-	91,496	(91,496)	-
Constable Costs	48,000	73,908	(71,436)	2,472
Fuel and Maintenance	50,300	45,639	-	45,639
Insurance	50,312	38,105	(1,034)	37,071
Travel	-	28,749	-	28,749
Training	1,800	27,396	-	27,396
Loss on Disposal of Assets	-	24,230	(24,230)	-
Honorarium	41,930	18,553	-	18,553
Uniforms	8,000	13,454	-	13,454
Professional Fees	5,000	10,796	2,586	13,382
Inventory Write-down	-	9,166	-	9,166
Trilateral Process	5,000	8,260	(2,586)	5,674
Telephone	-	6,607	-	6,607
Rent	-	6,124	-	6,124
Advertising	2,780	6,090	-	6,090
Office	3,650	5,807	-	5,807
Supplies and Services	-	3,441	-	3,441
Miscellaneous and Miscellaneous				
Equipment	8,914	1,046	-	1,046
Consulting	-	750	-	750
Postage	<u>500</u>	<u>363</u>	<u>-</u>	<u>363</u>
	<u>\$ 771,271</u>	<u>\$ 935,448</u>	<u>\$ (188,196)</u>	<u>\$ 747,252</u>
Capitalized expenditures				
Purchase of Fixed Assets				
- net of proceeds from disposals	120,000	172,574	(15,401)	157,173
Prepaid Rent	<u>-</u>	<u>32,389</u>	<u>(32,389)</u>	<u>-</u>
	<u>\$ 891,271</u>	<u>\$1,140,411</u>	<u>\$ (235,986)</u>	<u>\$ 904,425</u>
Surplus (Schedule 2, Comment 3)				<u>\$ 48,673</u>

(1) This refers to the budget prepared by the recipient and provided to the Department. The Department did not approve each item in the budget.

(2) See Comment 4 of Schedule 2.

(3) See Schedule 2 for an explanation of audit adjustments.

(4) These are the allowable costs under the terms of the agreement.

Lesser Slave Lake Regional Police Service
Audit Adjustments, Audit Observations and Supplementary Information
April 1, 1997 to March 31, 1998

Audit Adjustments

1. The audit adjustments are explained as follows:

(a) Depreciation		
This is a non-cash expense		
Delete because capital expenditures funded in year purchased		\$ (91,496)
(b) Constable Costs		
Delete unit rental payments to constables	\$ (52,441)	
Delete house mortgage payments on accommodation provided to the Chief of Police	(4,173)	
Delete temporary accommodation – Chief of Police	(4,428)	
Delete repairs to house	(9,658)	
Delete amortization of prepaid house rent	<u>(736)</u>	(71,436)
(c) Insurance		
Delete house insurance		(1,034)
(d) Loss on Disposal of Assets		
This is a non-cash expense, similar to depreciation. Under the accrual method of accounting, used in the recipient's financial statements, the amount reported as an expense is simply to write off the unrecovered book value of the assets sold. Since capital expenditures are funded in the year purchased, a cash basis is used for capital transactions for the purpose of accounting for the contribution from the Department and Alberta		(24,230)
(e) Professional Fees		
To reallocate lawyer cost from Trilateral Process		2,586
(f) Trilateral Process		
To reallocate lawyer cost to Professional Fees		(2,586)
(h) Prepaid Rent		
This represents the unamortized portion of the down payment on a house purchased by the Regional Council. See Comment 6.		(32,389)
(i) Capital Expenditures		
House furnishings purchased for the house partially occupied by the Chief of Police		<u>(15,401)</u>
		<u><u>\$ (235,986)</u></u>

Lesser Slave Lake Regional Police Service
Audit Adjustments, Audit Observations and Supplementary Information
April 1, 1997 to March 31, 1998

Audit Observations

2. Internal Controls

There were some internal control weaknesses in the year audited. There were many coding errors most of which were corrected during the accounting year. Others were corrected by the external auditor during the annual audit. The trial balance did not balance at year end. The reason for the problem was determined, errors were identified and corrected.

It was also noted that the reasons for travel were not always indicated on the travel expense claim forms from the employees and police commissioners. Kilometres claimed differed for trips, even though the destination and origin were the same. The accountant has since revised the travel expense claim form to include a line for "reason for travel" and has a grid of kilometres between the most frequently traveled points to be used when claiming travel expenses.

The Chief of Police and the accountant implemented some changes when they became aware of the aforementioned shortcomings, and have made additional changes since March 31, 1998.

3. Surplus

According to the audited financial statements provided by the Lesser Slave Lake Regional Police Service, the Police Service had an operating surplus of \$17,650 for the year ended March 31, 1998 and had an accumulated surplus of \$888,762 as of March 31, 1998.

After the adjustments made for the purposes of this audit, the surplus for the year ended March 31, 1998 was \$48,673. It is not possible to restate the accumulated surplus without auditing, the Police Service records since its inception.

Supplementary Information

4. Reported Amounts

The Reported Amounts on Schedule 1 were obtained from the externally audited financial statements. These amounts were reconciled to the general ledger of the Lesser Slave Lake Regional Police Service.

5. Recipient's Comments

The recipient agreed with the audit adjustments, except for the deletion in the amount of \$52,441 for unit rental payments for constables. Their position is that the constables are the lowest paid in Canada and, therefore, they were given a subsidy of a maximum of \$400 per month for accommodation.

Lesser Slave Lake Regional Police Service
Audit Adjustments, Audit Observations and Supplementary Information
April 1, 1997 to March 31, 1998

6. Housing for the Chief of Police

In October 1997, the Regional Council purchased a four bedroom house in Slave Lake. We were informed that the Chief of Police occupies one bedroom, and the three other bedrooms will be rented out. The Regional Council made a down payment of \$33,125 and has a 15 year mortgage for the balance. The recipient recorded the down payment as prepaid rent and is amortizing the down payment to rent expense, over the term of the mortgage. At March 31, 1998 the financial statements indicated the balance of the prepaid rent was \$32,389 and \$736 was amortized to Constable Costs.

Extensive renovations for a total cost of \$9,658 were done, and the house was completely furnished for a cost of \$15,401. The Regional Council paid for these costs, and the Police Service reimbursed the Regional Council. The Regional Council has title to the property, and we were informed that the title will not be transferred to the recipient. During the five full months since the property was purchased, only one month's rental income was deposited in the recipient's bank account for the rental of one room.

All expenditures related to the acquisition of the house, have been deleted from the Audited Amounts on Schedule 1.

7. Trilateral Process Cost

The recipient's budget included \$5,000 to complete a review of the funding provided to First Nations Police Services pursuant to the Tripartite Policing Agreements. This review was cooperatively completed by the Department, Alberta, and the First Nations Police Services in Alberta. Expenditures incurred for this process are \$5,674, and we were informed that copies of the reports were sent to Alberta. The recipient stated that the activities for this process consisted of attending a meeting at Banff, Alberta, with all the other Aboriginal Police Services and submitting a report to Alberta.

8. Cultural Unity Costs

The reported costs for 1996/97 included Cultural Unity costs in the amount of \$12,493. The financial statements for 1997/98 showed no such costs. The Cultural Unity costs in 1996/97 represent amounts given to the eight communities for youth crime prevention programs, such as DARE. In 1997/98 \$847 was expended for community relations and is included in advertising costs rather than Cultural Unity costs.

Lesser Slave Lake Regional Police Service
Audit Adjustments, Audit Observations and Supplementary Information
April 1, 1997 to March 31, 1998

9. Funding from Human Resources Development Canada

Note 1 to the audited financial statements for the year ending March 31, 1998 contained the following: "The Police Service has received additional funding from Employment and Immigration Canada, and has incurred related expenses which have not been included in these financial statements." The external accountants were contacted to determine what these related expenses were, as the Police Service did not know what this referred to. The external accountant stated that this statement was included in error and pertained to the previous fiscal year only. Included in Other Revenue is \$18,000 received from the Regional Council, which had received training funds from Human Resources Development Canada and allocated amounts to various cost centres (such as the Police Service) based on identified need. According to the accounting records, \$16,957 of the \$18,000 was spent (\$14,000 on training and \$2,957 on travel).

10. Other Revenue

The Other Revenue reported consists mainly of \$18,000 in training funds from Human Resources Development Canada referenced in Comment 9, and \$5,000 from the Regional Council as a contribution to the Trilateral Process discussed in Comment 7. The balance of other revenue was from miscellaneous sources such as hat and T-shirt sales and donations.



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