



Aboriginal Affairs and
Northern Development Canada

Affaires autochtones et
Développement du Nord Canada



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Investigation of Allegations at the Bande des Innus de Pessamit First Nation

2012



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Name: [Bande des Innus de Pessamit](#) (Website not available in English)

Population: 2,857 on reserve; 3,896 total registered

Location: Québec

Current Chief: René Simon

Time period covered by investigation: April 1, 2005 to March 31, 2011



Background

- In 2012, Aboriginal Affairs and Northern Development Canada (AANDC) retained the services of Deloitte & Touche to conduct a forensic audit following various allegations received from members of the Bande des Innus de Pessamit.
- The results of this audit were shared with the Chief of the Band Council on May 2, 2013.
- The following issues were examined:
 - Payments made to certain businesses
 - Purchase of construction materials
 - Information provided in order to secure funding
- The forensic audit covers the period from April 1, 2005, to March 31, 2011.



General observations

- A number of weaknesses were observed in the internal controls which could affect the Band's capacity to manage its financial affairs (significant and ongoing operational deficits, unspecified sources of funds used to cover large expenditures).
- Management of the Pessamit Band Council's financial affairs was transferred to a co-manager. There did not appear to be sufficient control measures in place for payments made to this firm.



Observations – Amounts paid to businesses

Law firm

- The Band paid \$3.1 million to a law firm from April 2005 to March 2011.
- Around \$2.2 million was used for two mandates:
 - Forest development on René-Levasseur Island
 - Litigation related to procurement and forestry management contracts
- In both cases, the work was aimed at stopping forest development on René-Levasseur Island.
- These expenses were recorded as legal fees under the reporting centre “band council and administration,” which is only partly covered by AANDC. It is therefore not possible to charge specific expenses against the funding received by the Department.



Observations – Amounts paid to businesses

Co-manager

- In total, the co-manager billed the Band for \$6.5 million from November 2007 to March 2011.
- The co-manager performed work associated with all the financial and management aspects of the Pessamit Band Council, including some areas that are not part of the co-management agreement.
- The auditors were not able to determine the amount of fees that were related solely to the co-management mandate based on the information included in the invoices.
- From January 2008 to June 2010, payments to the co-manager were made by electronic transfer (the only supplier to receive payments this way). The payments matched the amount of available funds in the account and not the specific amounts of the invoices. It is the co-manager who determined the payment amount and requested the transfer of funds from the accounting department.



Observations – Amounts paid to businesses

- Starting in July 2010, payments to the co-manager were made by cheque and matched the invoice amounts.
- The co-manager billed the approximate equivalent of 5 full-time equivalents annually; however, in 2010–11 the firm billed the equivalent of 7.5 resources. In addition to these resources, there were Pessamit Band Council employees in charge of finance and administration.
- The number of hours billed by the co-manager seems high:
 - In 2009–10, 33 hours per week.
 - In 2010–11, 41.6 hours per week, not including vacation, statutory holidays, commitments to other clients, and general administrative responsibilities related to the nature of the job.
- Payments made to the co-manager were recorded as co-management fees under the reporting centre “band council and administration.” It is impossible to charge specific expenses against the funding received by the Department.



Observations – Amounts paid to businesses

Specialist and engineering firms for hydroelectric projects and wind farms

- The Pessamit Band Council paid \$637,328 in professional fees associated with the mini hydroelectric project (April 2005 to March 2010). It appears that these amounts were used for technical studies typically required as part of such projects. The Department did not allocate any funds for these projects.
- The Band spent \$188,197 in professional fees for the wind farm project, primarily to carry out technical studies. The Department did not fund these studies.
- Paying the professional fees for these two projects would have put additional pressure on the Pessamit Band Council's cash flow.



Observations – Amounts paid to businesses

Communications firm

- The Band paid a total of \$405,523 to a communications firm from April 2005 to March 2010.
- Overall, based on the documents analyzed, these communications services were not used to support the Band's election campaigns.



Observations – Purchase of construction materials and information provided in order to secure funding

Purchase of construction materials

- The auditors did not identify any anomalies in this area.

Information provided in order to secure funding

- The auditors did not identify any anomalies in this area.



Recommendations

1. The Pessamit Band Council should work with the co-manager to establish detailed budgets for each program in order to eliminate the current practice of pooling funds. Planned expenditures should be indicated. Each month, real expenses should be checked against the approved budgets to ensure that the budgets are adhered to and that no unfunded expenditures are incurred.
2. The Pessamit Band Council should work with the co-manager to strengthen the accounting and reporting processes, in accordance with the AANDC contribution agreements, which state that the Council shall maintain accounting documentation regarding all funding provided by the Department and other federal departments in a manner that will allow for audit.
3. The Pessamit Band Council should collaborate with the co-manager to resolve capacity issues related to the management of financial affairs, in particular by establishing an exit strategy for the co-manager that is based on the achievement of set milestones for building the community's capacity and reducing the ongoing operational deficit.
4. The co-manager should submit a separate invoice to the Pessamit Band Council for work performed as part of the original co-management agreement.
5. The Pessamit Band Council should verify whether its accounting system meets its needs and calculate the long-term savings that could be achieved by using an updated system.