



Aboriginal Affairs and
Northern Development Canada

Affaires autochtones et
Développement du Nord Canada

Aboriginal Affairs and Northern Development Canada

Internal Audit Report

Audit of Land Management

Prepared by:

Audit and Assurance Services Branch

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ACRONYMS

AANDC	Aboriginal Affairs and Northern Development Canada
AB	Alberta
ADM	Assistant Deputy Minister
AES	Audit and Evaluation Sector
ARDG	Associate Regional Director General
BC	British Columbia
BCR	Band Council Resolution
DG	Director General
DRAP	Deficit Reduction Action Plan
FTE	Full-Time Equivalent
HQ	Headquarters
IM/IT	Information Management/Information Technology
LED	Lands and Economic Development Sector
ON	Ontario
RO	Regional Operations Sector
SK	Saskatchewan

EXECUTIVE SUMMARY

Background

Aboriginal Affairs and Northern Development Canada (AANDC) provides land management services to over 600 First Nations with more than 2,800 reserves covering over 3 million hectares of reserve land across Canada. Land management generally includes activities related to the ownership, use and development of land for personal, community and economic purposes.

AANDC personnel carry out provisions of the *Indian Act* and work with First Nations to manage interests on reserve land. Departmental responsibilities in this capacity are extensive, and include:

- Reviewing and approving the allotment to individual band members to use and occupy parcels of reserve land;
- Managing transactions for reserve surrenders and designations which allow the Crown to grant interests in reserve lands on behalf of the First Nation;
- Reviewing and approving transfers of land between band members; and,
- Supporting the negotiation and drafting process, and reviewing, approving and enforcing leases and permits which allow the lessee or the permittee to use and occupy specific reserve land by authorizing a limited interest in land for a limited time on reserve lands.

One of the Department's key priorities is the social and economic development of First Nations, which has direct linkages to the ownership and management of reserve lands. The Department has responsibilities for helping to create conditions enabling economic development on the lands, building capacity to manage Lands, and maintaining a registry of the lands (including administering and creating third-party rights and interests on reserve land).

AANDC lands registries record property interests in First Nations lands. A land registry is a set of records that anyone can search to find out the ownership, leases, permits and other interests that may apply to a parcel of land. AANDC's land registry system is made up of three separate registries, which are maintained by Headquarters, are web-based, and are accessible to First Nations and the general public:

- The Indian Land Registry System (ILRS) consists of documents related to and interests in reserve (and any surrendered) lands that are administered under the *Indian Act*;
- The First Nations Land Registry System (FNLR) and the Self-Governing First Nations Land Register (SGFNLR) are both systems used by First Nations operating under agreements of self-governance with AANDC.

A fourth system, NetLands, is an AANDC system available to AANDC personnel and First Nation land managers; it is used to manage and track the status of land transaction projects on reserve lands.

As part of the Deficit Reduction Action Plan (DRAP), AANDC implemented changes to its approach to land management that aim to streamline the administration of land submissions (including additions to reserve), land designations for leases, and the registration of land instruments. These responsibilities are managed on behalf of the Department by Lands Officers in AANDC Regional Offices, with assistance from three newly-created Regional Support Centres located in Vancouver, Regina, and Toronto. Headquarters representatives will continue to oversee national policies related to land management, and oversee and maintain the Information Management/Information Technology (IM/IT) systems that support these processes (e.g. the land registry systems).

Audit Objective and Scope

The objective of this audit was to assess the adequacy and effectiveness of governance practices, process controls, and systems used in supporting the efficient administration of AANDC's statutory responsibilities related to land management transactions.

The scope of the audit included all relevant land management transactions (i.e. leases, permits, designations, Band Council Resolutions (BCR) allotments and transfers) that were completed during the period April 2011 through October 2012.

The audit scope included an assessment of the following:

- Headquarters and regional governance practices used in monitoring and reporting on land management transactions;
- Controls and management practices used by AANDC Regional Offices to initiate, complete, and document steps taken during the management of land management transactions; and,
- Application controls and management practices related to the functionality of systems used to support land management processes and to the integrity and completeness of registry information managed by these systems. The systems included in the audit scope were the Indian Land Registry System (ILRS) and Netlands.

The audit examined the related governance and control processes in place at Headquarters as well as at a sample of four regions - British Columbia, Saskatchewan, Ontario and Alberta - from December 3, 2012 to February 8, 2013.

The audit scope does not include an assessment of the implementation of the First Nations Lands Management Act or the Reserve Land and Environment Management Program. The audit scope did not include the processing of revenue associated with land instruments, as this

function was covered in the 2010 *Audit of Trust Accounts*. In addition, the Additions to Reserves portion of Land Management is not included in the scope of this audit as the area was examined in a separate audit.

Statement of Conformance

This audit conforms with the *Internal Auditing Standards for the Government of Canada*, as supported by the results of the quality assurance and improvement program.

Observed Strengths

Throughout the audit fieldwork, the audit team observed examples of how controls are properly designed and are being applied effectively by Headquarters and Regional management. This has resulted in several positive findings which are listed below:

- Land management personnel in the regions have created national forums and working groups in order to share information on technical issues relating to the management of lands transactions;
- Both new and junior Lands Officers are mentored and coached informally by senior Lands Officers to learn how lands transactions are managed;
- ILRS is used consistently across the regions, and is generally accepted by users as a useful tool; and,
- Risks relating to individual land transactions are managed on a case-by-case basis and management escalates issues as required.

Conclusion

Generally, the audit found that control practices related to the management of lands transactions were adequate. Some opportunities for improvement were noted to strengthen management practices in the following areas: governance and performance measurement, resource allocation, roles, responsibilities and training, file management quality, and use of information systems.

Recommendations

The audit team identified areas where control practices and processes could be improved, resulting in six recommendations, as follows:

1. The Senior Assistant Deputy Minister (ADM) of Regional Operations (RO) should work with the Assistant Deputy Minister of Lands and Economic Development (LED) to develop a governance model that allows LED to define priorities and with the assistance of RO, assess operational performance in regional offices against these priorities, so

that the Department can measure progress achieved towards policy objectives related to land management.

2. The Senior Assistant Deputy Minister of Regional Operations should work with the Assistant Deputy Minister of Lands and Economic Development to conduct an analysis of transaction volume and complexity of lands transactions managed per resource. Roles and duties should be examined to ensure that responsibilities of Lands Officers are appropriate for their level.
3. The Assistant Deputy Minister of Lands and Economic Development should work with The Senior Assistant Deputy Minister of Regional Operations to develop and provide targeted training to Lands Officers responsible for registering more complex lands transactions. In addition, roles and responsibilities of the Support Centres should be clarified and communicated across all regions. Additional training should be provided to Support Centre staff to ensure they have the knowledge and expertise to fulfill the functions of a Support Centre.
4. The Assistant Deputy Minister of Lands and Economic Development should update the Land Management Manual and separate lands policy from procedures. Procedures should include updated control checklists for each key transaction, which can be used by the regions while processing files to ensure quality and completeness.
5. The Senior Assistant Deputy Minister of Regional Operations should work with the Assistant Deputy Minister of Lands and Economic Development to develop and implement a standardized indexing practice for the filing of electronic documents in order to ensure accessibility of the files, as well as implement a standardized practice to track the status of active files.
6. The Assistant Deputy Minister of Lands and Economic Development should identify which user requirements now met by NetLands are critical and conduct a feasibility study to determine whether alternative systems or methods might better meet these requirements.

1. INTRODUCTION AND CONTEXT

1.1. Land Management

Aboriginal Affairs and Northern Development Canada (AANDC) provides land management services to over 600 First Nations with more than 2,800 reserves covering over 3 million hectares of reserve land across Canada. Land management generally includes activities related to the ownership, use and development of land for personal, community and economic purposes.

AANDC personnel carry out provisions of the *Indian Act* and work with First Nations to manage interests on reserve land. Departmental responsibilities in this capacity are extensive, and include:

- Reviewing and approving the allotment to individual band members to use and occupy parcels of reserve land;
- Managing transactions for reserve surrenders and designations which allow the Crown to grant interests in reserve lands on behalf of the First Nation;
- Reviewing and approving transfers of land between band members; and,
- Supporting the negotiation and drafting process, and reviewing, approving and enforcing leases and permits which allow the lessee or the permittee to use and occupy specific reserve land by authorizing a limited interest in land for a limited time on reserve lands.

One of the Department's key priorities is the social and economic development of First Nations, which has direct linkages to the ownership and management of reserve lands. The Department has responsibilities for helping to create conditions enabling economic development on the lands, building capacity to manage lands, and maintaining a registry of the lands (including administering and creating third-party rights and interests on reserve land).

AANDC lands registries record property interests in First Nations lands. A land registry is a set of records that anyone can search to find out what ownership, leases, permits and other interests may apply to a parcel of land. AANDC's land registry system is made up of three separate registries, which are maintained by Headquarters, are web-based, and are accessible to First Nations and the general public:

- The Indian Land Registry System (ILRS) consists of documents related to and interests in reserve (and any surrendered) lands that are administered under the *Indian Act*;
- The First Nations Land Registry System (FNLR) and the Self-Governing First Nations Land Register (SGFNLR) are both systems used by First Nations operating under agreements of self-governance with AANDC.

According to ILRS, AANDC has registered over 8000 land transactions in each of the last two fiscal years. The table below provides a breakdown the registrations by the region location of underlying lands.

Table 1.

	Number of Registered Land Transactions by Fiscal Years	
	2011-12	2012-13
Regions		
British Columbia	4172	3721
Alberta	693	1014
Saskatchewan	961	748
Northwest Territories	9	1
Manitoba	232	193
Ontario	3581	2263
Quebec	1031	889
Atlantic	169	145
Total	10848	8974

A fourth system, NetLands, is an AANDC system available to AANDC personnel and First Nation land managers; it is used to manage and track the status of land transaction projects on reserve lands.

1.2. Recent Changes Affecting Land Management

As part of the Deficit Reduction Action Plan (DRAP), AANDC implemented changes to its approach to land management that aim to streamline the administration of land submissions (including additions to reserve), land designations for leases and the registration of land instruments. These responsibilities are managed on behalf of the Department by Lands Officers in AANDC Regional Offices, with assistance from three newly-created Regional Support Centres located in Vancouver, Regina, and Toronto. Headquarters representatives will continue to oversee national policies related to land management, and oversee and maintain the IM/IT systems that support these processes (e.g. the land registry systems and Netlands).

As of December 1, 2012, AANDC implemented changes to the management of the Lands and Economic Development Sector and its programs as part of the Department's response to DRAP. These key changes included the following:

- Prior to December 1, all steps required to complete land transactions – except for final quality assurance checks and registration of the transaction in the Indian Lands Registry System (ILRS) – were performed by staff at Regional Offices. The completed transaction file was then sent to Headquarters for final review and registration. Headquarters was relied upon for its knowledge of specialized issues related to the Indian Lands Registry System (ILRS) and the registration process (for example, how to

proceed when a land parcel defined in the registry system needs to be subdivided into two parcels before a transaction and its supporting documentation could be entered).

- As of December 1, responsibility for these final steps was transferred to the regions; however, no additional resourcing (neither human resources, nor additional operational funding) were transferred to support these responsibilities.
- Also beginning December 1, Support Centres were established to assist Lands Officers in all regions. Two of these Support Centres are relevant to this audit. (The third Support Centre was established to provide assistance on Additions to Reserves transactions.) A Support Centre based in the BC Regional Office (2 FTEs) was established to provide assistance with designation transactions. A Support Centre based in the Ontario Regional Office (2 FTEs) was established to support the registration process, including the use of ILRS. According to documentation obtained during the audit, the role of these Support Centres includes:
 - maintaining templates and other tools;
 - providing advice on policy-related questions;
 - liaison with Headquarters program management;
 - providing operational guidance and support;
 - providing input into the development and maintenance of systems and tools; and,
 - assisting with official language requirements and translation.

These changes affected this audit in several ways. As a result of the changes implemented, and their timing (which coincided with the beginning of audit fieldwork), findings of the audit must be read in the context of changes in organization structure, roles and responsibilities of land management teams in Regional Offices, and of newly-formed Support Centres that were not yet operational at the time of the audit fieldwork.

2. AUDIT OBJECTIVE AND SCOPE

2.1. Audit Objective

The objective of this audit was to assess the adequacy and effectiveness of governance practices, process controls, and systems used in supporting the efficient administration of AANDC's statutory responsibilities related to land management transactions.

2.2 Audit Scope

The scope of the audit included all relevant land management transactions (i.e. leases, permits, designations, BCR allotments and transfers) that were completed during the period April 2011 through October 2012.

The audit scope included an assessment of the following:

- Headquarters and regional governance practices used in monitoring and reporting on land management transactions;
- Controls and management practices used by AANDC Regional Offices to initiate, complete and document steps taken during the management of land management transactions; and,
- Application controls and management practices related to the functionality of systems used to support land management processes, and related to the integrity and completeness of registry information managed by these systems. As lands transactions completed and registered by First Nations under self-governing agreements were out of scope for the audit, the systems included in the audit scope were the Indian Land Registry System (ILRS) and Netlands.

The audit examined the related governance and control processes in place at Headquarters as well as at a sample of four regions - British Columbia, Saskatchewan, Ontario and Alberta - from December 3, 2012 to February 8, 2013.

The audit scope did not include an assessment of the implementation of the First Nations Land Management Act or the Reserve Land and Environment Management Program. The audit scope did not include the processing of revenue associated with land instruments, as this function was covered in the 2010 *Audit of Trust Accounts*. In addition, the Additions to Reserves portion of Land Management was not included in the scope of this audit as the area was examined in a separate audit.

3. APPROACH AND METHODOLOGY

The audit of land management was planned and conducted in accordance with the *Internal Auditing Standards for the Government of Canada*, as set out in the Treasury Board *Policy on Internal Audit*.

Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the audit conclusion provided and contained in this report.

The probability of significant errors, fraud, non-compliance, and other exposures was considered during the planning phase of the audit.

Four regions were selected during the planning phase for site visits: British Columbia, Saskatchewan, Ontario and Alberta. In addition, individuals based at AANDC Headquarters were also selected for management interviews, and a desk-based review was undertaken of relevant supporting documentation.

The principal audit techniques used included:

- Interviews with key management and staff personnel;

- Reviews of relevant documentation related to the management and administration of lands transactions;
- Evaluation of the system of internal controls over governance, people (roles and responsibilities, training and job tools), risk management, stewardship (planning and quality), results and performance, and information management for processes within the audit scope;
- Review of a sample of 110 land transaction files in total (i.e. 26 leases, 25 permits, 19 designations, 15 BCR allotments, 25 transfers); and,
- Walkthrough testing of the NetLands system and Indian Land Registry System (ILRS).

The approach used to address the audit objectives included the development of audit criteria against which observations and conclusions were drawn. The audit criteria developed for this audit are included in Appendix A.

4. CONCLUSION

Generally, the audit found that control practices related to the management of lands transactions were adequate. Some opportunities for improvement were noted to strengthen management practices in the following areas: governance and performance measurement, resource allocation, roles, responsibilities and training, file management quality, and use of information systems.

5. FINDINGS AND RECOMMENDATIONS

Based on a combination of the evidence gathered through the examination of documentation and systems, analysis and interviews, each audit criterion was assessed by the audit team and a conclusion for each audit criterion was determined. Where a significant difference between the audit criterion and the observed practice was found, the risk of the gap was evaluated and used to develop a conclusion and to document recommendations for improvement.

Observations include both management practices considered to be adequate as well as those requiring improvement. Recommendations for corrective actions accompany observations of management areas identified for improvement.

Throughout the audit fieldwork, the audit team observed examples of how controls are properly designed and are being applied effectively by Headquarters and Regional management. This has resulted in several positive findings which are listed below:

- Land management personnel in the regions have created national forums and working groups in order to share information on technical issues relating to the management of lands transactions;

- Both new and junior Lands Officers are mentored and coached informally by senior Lands Officers to learn how lands transactions are managed;
- ILRS is used consistently across the regions, and is generally accepted by users as a useful tool; and,
- Risks relating to individual land transactions are managed on a case-by-case basis and management escalates issues as required.

5.1. Governance and Performance Measurement

5.1.1. Governance of Operational Performance

Governance is the foundation for all other components of internal control. Governance bodies should receive sufficient, complete, timely and accurate information to maintain an effective oversight role, and to ensure that there is adequate challenge and discussion on all matters related to the administration of reserve land and resource activities. Performance measurement processes ensure that necessary information on the land management operations is available to inform oversight and discussion.

Oversight of the administration of reserve lands is made more complex by the organizational structure of AANDC. The LED Sector is responsible for developing lands policy, and has created a three-year strategic plan that identifies objectives, sets out priorities and describes key steps in the achievement of the plan. Responsibility for lands operational activities lies with the Regional Operations Sector; the devolution of the responsibility for registering lands instruments as of December 1, 2012 to the regions removed the participation of LED headquarters personnel from day-to-day operations.

As a result, LED's ability to effectively oversee operations is reduced, since LED has effectively "outsourced" all operations of lands programs to Regional Operations.

The audit expected to find that senior management in the LED and Regional Operations Sectors had established a formal oversight body that meets regularly to establish priorities, reviews performance of lands activities, and receives information necessary to allow for effective monitoring of the performance of lands management activities in regional offices.

The audit found that there is limited coordination between LED and RO in the oversight of lands activities, and in performance measurement and reporting. In each Region, oversight of lands operations is included in the scope of regional governance committees, but the audit did not identify a national LED governance committee that regularly reviewed land management operations.

Working groups have been established by Lands Officers in Regional Offices and coordinated by headquarters LED personnel. These working groups are operational in nature, and facilitate the sharing of information on specific land management topics among group members.

It was also noted during the audit that although LED has issued a Strategic Plan, that plan is not widely used by lands units in regional offices in the setting of priorities. Priorities for land management activities are identified in annual unit or directorate business plans that roll up into regional business plans. Performance measurement and reporting activities refer to these regional plans.

It was also noted during the audit that there is limited performance reporting on regional land activities, and there has been no assessment of performance compared to previous years, nor to expected volume of work or performance outcomes. Although much of the work on lands transactions is performed in reaction to requests made by First Nations, the audit expected to find some performance reporting, such as trends analysis, or measurement of throughput for the various instrument types processed. Some performance statistics were retained by unit managers in some regions, but the audit did not find program-wide performance analysis that would enable senior management to determine whether adjustments were required in lands operation.

Without formal oversight to establish priorities, and effective monitoring of the performance of lands management activities in regional offices, there is a risk the department may not be able to adequately measure progress and make improvements to the efficiency and effectiveness of land management activities.

Recommendation:

1. The Senior Assistant Deputy Minister (ADM) of Regional Operations (RO) should work with the Assistant Deputy Minister of Lands and Economic Development (LED) to develop a governance model that allows LED to define priorities and with the assistance of RO, assess operational performance in regional offices against these priorities, so that the Department can measure progress achieved towards policy objectives related to Land management.

5.1.2. Resource Allocation

Resource allocation should support the strategic priorities of the organization and ensure that the roles and responsibilities of a position are appropriate for the job level. Resources should be allocated by taking into account the volume of work in different regions as well as the complexity of the work. Given that land transaction processing is reactive work based on submissions by the First Nations in the region, appropriate resource allocation is important to ensure that the Department can fulfill its statutory obligations as well as its strategic priorities.

The audit expected to find that resource allocation and organizational structure are effective and aligned with strategic priorities.

The audit found that lands transactions vary depending on the region. Some regions focus on more complex transactions of longer duration, like designations and leases. While these transactions are not typically registered in a high volume each year, they are becoming increasingly complex and require significant time and resources. Other regions process many straight-forward transactions per year, and fewer complex transactions. The audit found that

regions are starting to specialize in their management of lands transactions; that is, Lands Officers are now beginning to be organized into teams that focus on specific types of transactions, rather than function as Lands generalists, handling all transactions associated with one or more First Nations.

The audit found roles vary among regions. Some regions consist primarily of Lands Officers at the PM-02 and PM-03 level, where some regions have more senior Lands Officers at the PM-04 and PM-05 level. There is no standardization across the regions to ensure that job classification levels are consistent with the complexity of transactions associated with a given role. There is also discontent among Lands Officers that the delegation of the registry function to the regions has impacted their job duties and responsibilities, but not their job description nor their classification. Despite being listed as a priority in the LED Strategic Plan, no analysis on transaction volume and complexity per available resource has been conducted in the regions.

If resources are not allocated by taking into account the volume of work in different regions as well as the complexity of the work performed there is a risk that the department will experience reduced efficiency and possible discontent among staff.

Recommendation:

2. The Senior Assistant Deputy Minister of Regional Operations should work with the Assistant Deputy Minister of Lands and Economic Development to conduct an analysis of transaction volume and complexity of lands transactions managed per resource. Roles and duties should be examined to ensure that responsibilities of the Lands Officers are appropriate for their level.

5.2. People

5.2.1. Roles, Responsibilities and Training

A clear understanding of the roles and responsibilities of Lands Officers and other personnel involved in lands transactions is critical to the efficient management of a land file. For management and staff within an organization, formal definitions of roles and responsibilities are often found in job classifications and job descriptions. Lands Officers rely on tools such as process and procedural manuals, checklists, and formal training programs to maintain competencies required to perform their role and meet their responsibilities.

The audit expected to find that roles and responsibilities of Lands Officers and other personnel involved in lands transactions are clearly defined and understood. The audit also expected to find that AANDC lands management personnel are provided with appropriate training, tools, resources and information to support the fulfillment of their duties. As noted in Section 5.1.2, the audit found that roles vary among regions with no standardization across the regions.

The audit found that training for Lands Officers is provided informally and responsibilities are learned on-the-job and through shadowing/mentoring with more senior staff. Recently training was provided to participants from each Region on the new responsibilities to register

transactions in ILRS, which was delegated to the regions as of December 1, 2012. While participants found the training helpful in explaining how to register basic transactions, the training did not cover more complex transactions and some Lands Officers in the Region indicated that they are unsure how to register these files. The volume and profile of transactions processed varies by Region and some regions have become specialized in certain types of land transactions, where targeted training would be beneficial.

The roles and responsibilities of the new Support Centres (for designations and registration) are still unclear to regions. As the Support Centres are still in the process of being set up, regions noted that Support Centre capacity to provide expertise on issues was limited, and that functional expertise still resides in the regions. Training for staff in the Support Centres included the general registry training provided to all Lands Officers; however, there are currently no plans for additional training to take place. This has created a lack of knowledge and expertise in the Support Centres, and a lack of confidence among Lands Officers that the Support Centres can provide help required on specific issues.

Without proper training provided to Support Centre staff there is a risk that the Support Centre will not have the knowledge and expertise to fulfill their responsibilities. Without additional training on registering complex transactions for Lands Officers, there is a risk that transactions could be improperly or inconsistently registered.

Recommendation:

3. The Assistant Deputy Minister of Lands and Economic Development should work with The Senior Assistant Deputy Minister of Regional Operations to develop and provide targeted training to Lands Officers responsible for registering more complex lands transactions. In addition, roles and responsibilities of the Support Centres should be clarified and communicated across all regions. Additional training should be provided to Support Centre staff to ensure they have the knowledge and expertise to fulfill the function of a Support Centre.

5.3. Risk Management

Risk management includes identifying specific risks that may preclude the achievement of land management objectives and taking appropriate and timely mitigating actions.

The risk management approach taken by all regions visited is to manage and mitigate risks on a case-by-case basis and management escalates and consults as required. The audit noted that when a land transaction is complex, Land Officers consult with land management, form working groups, and/or consult with the Department of Justice for advice. Specific issues can also be raised on a file-by-file basis by team members at team meetings. In some regions, file-level risk management is addressed by the checklists used for each key transaction and to prevent and mitigate potential risks in an individual land transaction (i.e. errors, inaccuracies, etc). Regions have also developed Regional Risk Profiles which include risks related to land management with limited reporting on risk information through the Quarterly Reporting process.

Recommendation:

No recommendations were identified in this area.

5.4. Stewardship

5.4.1. File Management Quality

An effective file management process should support the completion and registration of lands transactions by providing Lands Officers with a standardized toolkit of resources to process files accurately and consistently. These resources should ensure that Lands Officers are completing files according to policy, retaining required documentation and registering the appropriate information into the Indian Lands Registry System (ILRS).

The audit included a review of a sample of 110 land transaction files (i.e. 26 leases, 25 permits, 19 designations, 15 BCR allotments and 25 transfers). The audit expected to observe that lands transactions are recorded accurately and that documentation is complete. The audit also expected to find that adequate operational practices are in place in order to ensure accuracy and quality, and that reporting on the status of land management transactions is communicated appropriately and in a timely manner.

To assist Land Officers in fulfilling their responsibilities, the department has developed a Land Management Manual. The Land Management Manual is a 655-page resource tool which has the basic technical information needed to manage resource land. The manual contains general information on reserve lands, specific procedures, and policy information. The audit found that regions use the Land Management Manual as a reference in order to complete lands transactions; however, it was noted that regions have started to diverge from the manual as much of the policy in the manual is out of date, and the manual blends policy with procedures. This has resulted in a general lack of clarity across the regions as to what documentation is required to be retained, as well as what constitutes a complete file. While the manual includes a few example checklists, some regions have created and implemented control checklists as a way to ensure accuracy and completeness in file transactions. These checklists identify all the required steps and documentation for each type of transaction, and typically require sign-off by the Lands Officer before the file is reviewed and approved by a Manager. Other regions have not yet implemented a control mechanism, and files are processed and approved without a means of ensuring that all aspects have been appropriately completed.

Based on a review of sample land transaction files, the audit found that generally, documentation is retained to evidence that all procedures were followed. Audit testing noted a few exceptions where reviews were not adequately evidenced or documents were not properly retained by regional staff (e.g. notifications, missing copy of Ministerial Order or Order in Council, BCRs, Affidavits, etc.). It was noted through sample files reviewed that in regions that have not yet implemented control mechanisms like checklists, it was more common for files to have missing documentation compared to regions with implemented control checklists.

Regions tend to have limited resources to train new Lands Officers. While the Land Management Manual is used as a base reference, there are few guidelines and procedures to help a Lands Officer through a file. Informal coaching and mentoring from more senior Lands Officers is how most Lands Officers learn what is required to complete a file. This has created variations in how land transactions are processed and documented within regions as well as between regions, as Lands Officers each have their own way of processing a file. In some regions Lands Officers use individually-created checklists, work plans and file-tracking methods, which are not standardized practices.

Regions have also begun to electronically file documents; however, no standardized indexing system has been created or implemented. This has resulted in *ad hoc* filing techniques specific to each region and in some cases to each Lands Officer, making document retrieval difficult as there are no naming conventions or lists of required documents in place. A standard indexing practice for electronic files would be essential to ensure the accessibility and retrieval of the key documents for a registration, as well as the working file documents captured in the Comprehensive Integrated Document Management system (CIDM). Examples of working file documents would include draft versions of instrument documents, completed checklists, correspondence, evidence of review and approval, etc.

Reporting on the status of active files varies among regions. Some regions require that Lands Officers maintain up-to-date Work in Progress (WIP) lists of all active files, which are reviewed as required by managers. Other regions do not track active files and limit reporting to the number of transactions registered in the region in a given period. This reporting varies among regions from a quarterly to *ad hoc* process.

Without effective and standardized file management practices or control checklists to ensure quality and support the completion and registration of lands transactions, there is increased risk of inaccurate or incorrect registrations.

Recommendations:

4. The Assistant Deputy Minister of Lands and Economic Development should update the Land Management Manual and separate lands policy from procedures. Procedures should include updated control checklists for each key transaction, which can be used by the regions while processing files to ensure quality and completeness.
5. The Senior Assistant Deputy Minister of Regional Operations should work with the Assistant Deputy Minister of Lands and Economic Development to develop and implement a standardized indexing practice for the filing of electronic documents in order to ensure accessibility of the files, as well as implement a standardized practice to track the status of active files.

5.4.2. Use of Information Systems

Effective information management systems should support the execution of business processes by improving their overall efficiency, promoting data consistency and integrity, and standardizing processing steps.

The Indian Land Registry System (ILRS) consists of documents related to and interests in reserve (and any surrendered) lands that are administered under the Indian Act. The audit found that use of the system is generally consistent from Region to Region. ILRS is generally accepted by users as a useful tool. ILRS documentation and training on registration of documents was provided to selected 'power users' as part of the devolution of ILRS to the regions.

NetLands is a web-enabled AANDC computer application used in the management of land transactions on reserve lands. It assists users to schedule activities, track revenues, documents, correspondence and significant events related to lands transactions. According to system documentation, NetLands is designed to help Department and First Nations staff manage land projects and associated land instrument details such as:

- terms and conditions of instruments (e.g. rent payments);
- payments;
- monitoring (rent review, insurance, environment, breaches, disputes);
- people, organizations and companies associated with a land instrument; and,
- instruments which modify the original instrument.

NetLands allows a user to enter "bring forward" (BF) dates for events that should be addressed to meet the terms and conditions of the transaction, various policies and legal obligations.

The audit expected to find that NetLands is used to manage the processing of lands files, particularly those files that are more complex, and therefore more likely to remain in process over longer periods. The audit also expected to find that NetLands is used to provide project management functions to Land Managers and Lands Officers, such as tracking deadlines relevant to the processing of a land file prior to its completion and registration, and tracking expiry dates or renewal dates after a land transaction is completed and registered.

The audit found that although a 2010 AANDC Directive mandates the use of NetLands, the way the system is used was found to be inconsistent across regions included in the audit. Lands Officers use NetLands to varying degrees to monitor revenue-generating lands transactions (i.e. leases and permits). In some regions, for example, transactions (e.g. permits related to resources) were not entered in NetLands but were monitored in spreadsheet-based tools. The audit also found that NetLands use varied from officer to officer in the same region.

There is no direct connection to NetLands from the Indian Lands Registry System (ILRS), nor is there system-level integration that permits the direct transfer of data for a land instrument registered in ILRS to NetLands, where the terms of the instrument are monitored. Data related

to an instrument entered in ILRS must be re-entered in NetLands, which can reduce efficiency of Land Officers. In one region, data entry in NetLands has been standardized through the use of an intake form; this checklist assists Lands Officers with data input requirements, naming conventions, and data quality by guiding a user through various fields in the system, based on the type of land instrument. The audit did not find similar procedural checklists for NetLands in other regions.

Data completeness was also noted as an issue; in some regions, only primary "head" leases are entered into NetLands, resulting in the system being unable to track sub-leases registered on the land. In its 2013 Report on Plans and Priorities, AANDC sets a performance target for the use of NetLands, and expects that 70% of new leases and permits registered in ILRS will be tracked in NetLands by March 2013 (in the 2012 Departmental Performance Report, the March 2013 target was 100%). The achievement of this target will be difficult to determine if data completeness issues remain.

The use of NetLands as a reporting tool appears to be inconsistent across the regions. Operational reports on transaction details, such as a report showing those instruments requiring rent review as of a given date, arrears reports, and the creation of letters requesting the filing of insurance information, are used to support the monitoring of land instruments. NetLands reports are not used to provide management information to LED on a regional or national level.

The audit found that NetLands provides limited project management capabilities, but did not find that the system was used to manage files in process prior to registration. Project management features available for monitoring key dates on instruments were not always used; some Lands Officers note that it was simpler to use other means, such as calendar reminders placed in their personal desktop office software, to monitor rent review and expiry dates.

Without information management systems which support the effective and efficient processing of land management transactions there is increased risk of inaccuracies, inefficiencies, and data integrity may be compromised.

Recommendation:

6. The Assistant Deputy Minister of Lands and Economic Development should identify which user requirements now met by NetLands are critical and conduct a feasibility study to determine whether alternative systems or methods might better meet these requirements.

6. MANAGEMENT ACTION PLAN

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
<p>1. The Senior Assistant Deputy Minister (ADM) of Regional Operations (RO) should work with the Assistant Deputy Minister of Lands and Economic Development (LED) to develop a governance model that allows LED to define priorities and with the assistance of RO, assess operational performance in regional offices against these priorities, so that the Department can measure progress achieved towards policy objectives related to land management.</p>	<p>Governance structures have been developed and will be implemented which clearly outline roles and responsibilities of LED and RO.</p> <p>LED and RO will work collaboratively to identify priorities, indicators, and targets, which will be integrated into the Regional Operations Corporate Business Plan and Program's Performance Measurement Framework.</p>	<p>Senior Assistant Deputy Minister, Regional Operations</p> <p>Assistant Deputy Minister, Lands and Economic Development</p>	<p>September, 2013</p> <p>March, 2014</p>
<p>2. The Senior Assistant Deputy Minister of Regional Operations should work with the Assistant Deputy Minister of Lands and Economic Development to conduct an analysis of transaction volume and complexity of lands transactions managed per resource. Roles and duties should be examined to ensure that responsibilities of Lands</p>	<p>RO and LED will partner to analyze transaction complexity and volume to assist with the identification of opportunities for improved resource alignment and to ensure that Lands Officers responsibilities are appropriate for their level.</p>	<p>Senior Assistant Deputy Minister, Regional Operations</p> <p>Assistant Deputy Minister, Lands and Economic Development</p>	<p>March, 2014</p>

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
Officers are appropriate for their level.			
<p>3. The Assistant Deputy Minister of Lands and Economic Development should work with The Senior Assistant Deputy Minister of Regional Operations to develop and provide targeted training to Lands Officers responsible for registering more complex lands transactions. In addition, roles and responsibilities of the Support Centres should be clarified and communicated across all regions. Additional training should be provided to Support Centre staff to ensure they have the knowledge and expertise to fulfill the functions of a Support Centre.</p>	<p>Prior to the Dec. 1st, 2012 transition, whereby regions assumed responsibility for registering land instruments, on-line and in-person training was facilitated by LED HQ personnel. To date, the need to deliver additional training has been identified for Alberta, Ontario, Atlantic, Quebec, Saskatchewan and Manitoba. Training on complex transactions will be delivered by LED HQ personnel April – June, 2013.</p>	<p>Assistant Deputy Minister, Lands and Economic Development</p> <p>Senior Assistant Deputy Minister, Regional Operations</p>	<p>June, 2013</p>
<p>4. The Assistant Deputy Minister of Lands and Economic Development should update the Land Management Manual and separate lands policy from procedures. Procedures should include updated control checklists for each key transaction, which can be used by the Regions while processing files to</p>	<p>Updating the Lands Management Manual is an ongoing activity involving consultations with First Nation land managers. Revisions to Chapters 5 (Designations) and 7 (Leasing) of the Lands Management Manual are currently underway. Checklists will also be developed to ensure quality and</p>	<p>Assistant Deputy Minister, Lands and Economic Development</p>	<p>November, 2014</p>

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
ensure quality and completeness.	completeness.		
5. The Senior Assistant Deputy Minister of Regional Operations should work with the Assistant Deputy Minister of Lands and Economic Development to develop and implement a standardized indexing practice for the filing of electronic documents in order to ensure accessibility of the files, as well as implement a standardized practice to track the status of active files.	LED in consultation with RO will develop a standardized indexing regime for electronic filing of land registration documents, and will develop a standardized practice to track the status of active files, which will be implemented by RO.	Senior Assistant Deputy Minister, Regional Operations Assistant Deputy Minister, Lands and Economic Development	December, 2013
6. The Assistant Deputy Minister of Lands and Economic Development should identify which user requirements now met by NetLands are critical and conduct a feasibility study to determine whether alternative systems or methods might better meet these requirements.	A Business Opportunity Proposal will be developed to assess the viability of the NetLands system or consider a broader IM/IT strategy.	Assistant Deputy Minister, Lands and Economic Development	March, 2014

Appendix A: Audit Criteria

The audit objective was linked to audit criteria developed in alignment with Core Management Controls. Additional audit criteria were developed to address specific risks identified in the planning phase.

Audit Criteria	
Governance	
1.1	AANDC has established effective oversight bodies that meet regularly and receive key information to allow for effective monitoring of land management activities.
1.2	Strategic and operating objectives and priorities for land management activities exist and are effectively communicated to AANDC staff in Regional Offices.
1.3	Resource allocation and organizational structure are effective and aligned with strategic priorities.
People	
2.1	There are clearly defined roles and responsibilities for AANDC personnel and other stakeholders who participate in the land management activities.
2.2	AANDC provides employees in Headquarters and Regional Offices with the necessary training, tools, resources and information to support the discharge of their responsibilities related to land management activities.
Risk Management	
3.1	AANDC management identifies specific risks that may preclude the achievement of land management objectives and communicates relevant plans.
Stewardship	
4.1	Land management activities are planned, initiated and completed in a timely manner, recorded accurately, and the documentation of each action is complete. Exceptions to required policies and procedures are identified and appropriate actions are taken.
4.2	Adequate operational practices are in place to ensure accuracy and quality.
4.3	Appropriate and timely reporting on the status and results of land management transactions is communicated.
4.4	Information management systems meet the needs of users, are used consistently, and support land management activities.
Results and Performance	
5.1	Performance measurement strategies are in place, and results of performance measurement are documented, and reported to land management stakeholders.
5.2	Performance measurement results are reviewed to analyze, compare and explain variances between actual performance of the land management transactions and planned results.