REPORT 6, FIRST NATIONS SPECIFIC CLAIMS, OF THE FALL 2016 REPORTS OF THE AUDITOR GENERAL OF CANADA

Report of the Standing Committee on Public Accounts

Hon. Kevin Sorenson
Chair

MAY 2017
42nd PARLIAMENT, 1st SESSION
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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

TWENTY-THIRD REPORT

Pursuant to its mandate under Standing Order 108(3)(g), the Committee has studied Report 6, First Nations Specific Claims, of the Fall 2016 Reports of the Auditor General of Canada and has agreed to report the following:
INTRODUCTION

According to the Office of the Auditor General of Canada (OAG):

First Nations have long had grievances related to the non-fulfillment of historic treaties or the mismanagement of Indian lands and monies. The Government of Canada has made successive attempts to address these issues.¹

Specific claims generally refer to claims made by First Nations against the federal government. These claims relate to the administration of land and other First Nations assets and to the fulfillment of Indian treaties, although the treaties themselves are not open to renegotiation.²

According to data from Indigenous and Northern Affairs Canada (INAC), “by 2007, more than 800 specific claims were outstanding in Canada,” and prior to that, “it took an average of 13 years to resolve a specific claim, and First Nations had submitted claims twice as fast as the Department had addressed them. First Nations were frustrated with this delay and with the government’s failure to fulfill past commitments.”³

In 2007, the Department introduced Justice at Last: Specific Claims Action Plan. In 2008, Parliament passed the Specific Claims Tribunal Act, which among other things established the Specific Claims Tribunal. This Act was developed in collaboration with the Assembly of First Nations (AFN). Justice at Last took effect in 2008 and was designed to

- address the backlog of claims and their slow resolution,
- settle specific claims preferably through negotiation, and
- compensate First Nations for past damages associated with Canada’s outstanding lawful obligations.⁴

² Ibid., para. 6.4.
³ Ibid., para. 6.6.
⁴ Ibid., para. 6.7.
In return, “First Nations agree to never reopen these claims. As stated in Justice at Last, this finality provides certainty for First Nations, government, businesses, and communities.”

The Justice at Last plan also introduced fundamental reforms of the specific claims process, including the government’s commitment to the four following pillars:

- Impartiality and Fairness,
- Greater Transparency,
- Faster Processing, and
- Better Access to Mediation.

Under Justice at Last, INAC and the Department of Justice Canada have the following roles and responsibilities:

- Indigenous and Northern Affairs Canada is responsible for assessing and negotiating specific claims on behalf of the Government of Canada and for ensuring that Justice at Last is implemented cost-effectively. This accountability also extends to monitoring and reporting activities and results.

- The Department of Justice Canada advises Indigenous and Northern Affairs Canada on whether a specific claim discloses an outstanding lawful obligation for Canada, offers legal advice to Indigenous and Northern Affairs Canada during negotiations, and represents Canada before the Specific Claims Tribunal and the courts.

Lastly, Justice at Last included funding for the specific claims process, including contribution and loan funding for First Nations to participate. According to the OAG:

[Federal] expenditures for operations, maintenance, and salaries averaged about $16.6 million per year from the 2013–14 to 2015–16 fiscal years. During the same period, funding to support First Nations’ participation in the specific claims process dropped from about $14 million in the 2013–14 fiscal year to an average of $9 million in the following two fiscal years.

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5 Ibid., para. 6.8.
6 Ibid., para. 6.9.
7 Ibid., Exhibit 6.2.
8 Ibid., para. 6.10.
9 Ibid.
10 Ibid., para. 6.11.
11 Ibid.
In the fall of 2016, the OAG released a performance audit whose objective was to determine whether the Department adequately managed the resolution of First Nations specific claims. On 15 February 2017, the House of Commons Standing Committee on Public Accounts (the Committee) held a hearing on this audit. In attendance, from the OAG, was Michael Ferguson, Auditor General of Canada, and Jerome Berthelette, Principal. Joe Wild, Senior Assistant Deputy Minister, and Stephen Gagnon, Director General, Specific Claims Branch, appeared on behalf of INAC.

It should be noted that the Committee took great exception to the absence of the Deputy Minister and conveyed this clearly to the Departmental officials present. In response, the Deputy Minister sent the Committee a letter to address her absence and stated that she would appear before the Committee on future matters. Notwithstanding this letter, the Committee wishes to emphasize that the accounting officers are always expected to appear when their departments or agencies are the subject of a hearing.

12 Ibid., para. 6.12.
14 Ibid.
The Specific Claims Process

Figure 1 illustrates the various stages of the specific claims process.

**Figure 1 – The Specific Claims Process**

FINDINGS AND RECOMMENDATIONS

Results of the Specific Claims Process and the Goals of Justice at Last

The OAG found that although Justice at Last “envisioned that more claims would be resolved than received each year,” the Department failed to achieve this in six of the eight years of the Action Plan’s existence. Also, “of the claims that entered the negotiation process, more were either closed or moved to litigation in courts or at the Tribunal than were resolved through negotiation.”

According to the OAG, a “closed” claim is one that is “closed during negotiations because a First Nation does not accept or respond to a settlement offer, or decides to withdraw its claim. When a claim is closed, negotiations cease, the government’s outstanding lawful obligation remains, and the claim is unresolved.”

Additionally, according to the OAG, “the Department used mediation services to overcome impasses in negotiation only once since these services were established in 2012.”

Lastly, the OAG noted examples of very long processing times. For example, one claim that was reviewed “was first submitted in 1987, and its processing time was just over 26 years before it was settled. However, the Department’s database showed that the claim’s processing time was just under 5 years”; and, “219 claims had been in active negotiation for a median of 5 years.”

Therefore, the OAG recommended that in “collaboration with First Nations, Indigenous and Northern Affairs Canada should review its systems and practices to understand why the majority of claims are not settled through negotiation and to improve the resolution of claims in line with the aims of Justice at Last.” The Department agreed with this recommendation and stated that INAC “is currently working with the Assembly of First Nations to establish a process in which Canada will work collaboratively with First Nations to identify fair and practical measures to improve specific claims process.” In its action plan, INAC stated that the “rate at which specific claims are resolved through negotiations” will be increased by March 2018.

In light of these concerns, the Committee recommends:

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16 Ibid.
17 Ibid.
18 Ibid.
19 Ibid., para. 6.31.
20 Ibid., para. 6.32.
21 Ibid.
Recommendation 1

That, by 30 April 2018, Indigenous and Northern Affairs Canada present a report to the House of Commons Standing Committee on Public Accounts detailing how it has increased the rate at which claims are resolved through negotiations in line with the aims of Justice at Last.

Barriers in the Specific Claims Process

The OAG found that three significant barriers impeded the resolution of some specific claims:

- “certain of Indigenous and Northern Affairs Canada’s practices did not encourage negotiations”;
- “funding to First Nations was arbitrary and inconsistent”; and
- “information sharing between the Department and First Nations was limited.”

According to the OAG, this is important because the barriers identified:

[Undermined] the achievement of the government’s and First Nations’ commitment to the just and final resolution of specific claims. When First Nations cannot resolve their claims, they withdraw them, or take them to court or to the Specific Claims Tribunal. These alternatives have resulted in further delays, which can lead to higher costs for government, uncertainty for all Canadians, and further strain on government and First Nations relations.

The OAG concluded that these barriers “point to a need for the Department to improve how it manages the process to better meet the outcomes envisioned under Justice at Last,” and thus made the following three recommendations:

- “In cooperation with First Nations, Indigenous and Northern Affairs Canada should make its negotiation practices to expedite small-value claims (up to $3 million) acceptable to both parties.” The Department agreed with this recommendation and stated that by Fall 2017, with the agreement of the Assembly of First Nations / Canada Joint Technical Working Group, [it will] strike a Sub-Committee to examine and make recommendations in respect of a process to assess and negotiate small value claims.

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24 Ibid., para. 6.35.
25 Ibid., para. 6.36.
26 Ibid., para. 6.45.
• “Indigenous and Northern Affairs Canada should work with First Nations to develop and implement a strategy to use mediation more frequently.” The Department agreed with this recommendation and stated that by Fall 2017, recommendations “from the Sub-Committee of the Assembly of First Nations / Canada Joint Technical Working Group on the use of mediation services will be received by the Joint Technical Working Group.”

• “Indigenous and Northern Affairs Canada should update its website to reflect the full range of negotiation practices for all types of specific claims.” The Department agreed with this recommendation and stated that by Summer 2017 “revisions to the website will be confirmed” and that by December 2017, “INAC’s website will have current and accurate information in respect of specific claims negotiation practices.”

When questioned about some of these issues, such as small value claims, Stephen Gagnon, Director General, Specific Claims Branch INAC, provided the following:

There was a case at the Specific Claims Tribunal in 2014 where the issue of that approach to small-value claims was dealt with. The judge told us that, effectively, that this wasn't negotiation, so we have changed the practice in response to that.

With regard to reasons for which INAC had not used mediation sooner, Mr. Wild noted:

I'm not sure that the culture of the government was ready for what it would mean to go down the path of using mediation. I think this has been a sticky point. There's a long learning curve, in that it's not a tool that people within the public service are necessarily comfortable with when talking about claims that have, at their core, compensation.

And, with regard to properly updating content on the INAC website pertaining to the specific claims process, Mr. Gagnon stated the following:

Again, we're trying to do things collaboratively. We have been accused in the past of doing things unilaterally. We would post things to which the [First Nations] said they'd had no input, and then that undermined the credibility of the reporting. That's how I understand it. We would like to do it as quickly as we can, and that is the timeline we're trying to work to.


33 Ibid., 1710.

34 Ibid., 1730.
Given the importance of addressing these issues to improve the specific claims process, the Committee recommends:

**Recommendation 2**

That, by 30 April 2018, *Indigenous and Northern Affairs Canada* present a report to the House of Commons Standing Committee on Public Accounts detailing what progress has been made with regard to negotiation practices for small-value claims; developing and implementing a strategy to use mediation more frequently; and, updating its website to reflect the full range of negotiation practices for all types of specific claims.

Regarding the Department’s role in funding First Nations to better participate in the specific claims process and information sharing, the OAG made the following three recommendations:

- “In cooperation with First Nations, Indigenous and Northern Affairs Canada should develop a clear and consistent methodology for funding to First Nations to adequately support the research and preparation of claims.”\(^{35}\) The Department agreed with this recommendation and stated that by Fall 2017, recommendations “from the Sub-Committee of the Assembly of First Nations / Canada Joint Technical Working Group on funding to support the research and development of claims will be received by the Joint Technical Working Group.”\(^{36}\)

- “In cooperation with First Nations, Indigenous and Northern Affairs Canada should develop evidence-based methodology for loan funding to adequately support First Nations’ participation in the negotiation process.”\(^{37}\) The Department agreed with this recommendation and stated that by Fall 2017, with the agreement of the Assembly of First Nations / Canada Joint Technical Working Group, it will “expand the mandate of the Sub-Committee on research funding to include making recommendations in respect of negotiation (loan) funding.”\(^{38}\)

- “Indigenous and Northern Affairs Canada should work with First Nations to ensure that its process to resolve claims includes a step where First Nations are made aware of the facts that the Department of Justice Canada will rely on to assess whether First Nations claims disclose an outstanding lawful

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38 Indigenous and Northern Affairs Canada, *Detailed Action Plan*, p. 3.
obligation for the Government of Canada.\textsuperscript{39} The Department agreed with this recommendation and stated that by Summer 2017, in consultation with the Department of Justice, it “will define information sharing protocols.”\textsuperscript{40} By Fall 2017, to the greatest extent possible, INAC will “communicate Canada’s understanding of the claim to First Nations prior to the claim being submitted to the Department of Justice for review,” and “work with First Nation claimants to define agreed upon facts and issues.”\textsuperscript{41}

When questioned about these issues, such as funding First Nations to better participate in the process, Mr. Gagnon explained that a joint technical working group co-chaired by INAC and AFN is currently overseeing work being done collaboratively to address priority issues, such as funding to support the research and development of specific claims.\textsuperscript{42}

And with regard to reasons for which 12 of 14 of the Department’s decisions were overturned because the claim was found not to disclose an outstanding lawful obligation, Mr. Wild stated the following:

It speaks to the fact that the way in which “lawful obligation” is being assessed and interpreted is too narrow and too conservative. I think that’s what we’re learning from the tribunal decisions.

The best example I can think of would be the decision in Beardy’s & Okemasis Band #96 and #97 v. Her Majesty the Queen in Right of Canada. Our approach had been that if a claim appeared to be speaking to an individual benefit, such as the payment of an annuity, versus something that was vis-à-vis the [First Nation] as a whole, we had no authority or mandate to deal with it.

In the Beardy’s case, the tribunal clarified that annuity payments were, in fact, a benefit held by the collective. They just happened to be implemented by way of individual payments. That then caused us to go back to look at and think about reviewing all the cases in which we had dealt with annuities and to reopen those that we had closed.\textsuperscript{43}

To address these concerns, the Committee thus recommends:


\textsuperscript{40} Indigenous and Northern Affairs Canada, Detailed Action Plan, p. 3.

\textsuperscript{41} Ibid.

\textsuperscript{42} House of Commons Standing Committee on Public Accounts, Evidence, 1\textsuperscript{st} Session, 42\textsuperscript{nd} Parliament, 17 February 2017, Meeting 45, 1645.

\textsuperscript{43} Ibid., 1655.
Recommendation 3

That, by 30 April 2018, Indigenous and Northern Affairs Canada present a report to the House of Commons Standing Committee on Public Accounts detailing what progress has been made with regard to developing a clear and consistent methodology for funding to First Nations to adequately support the research and preparation of claims; developing evidence-based methodology for loan funding to adequately support First Nations’ participation in the negotiation process; and, ensuring First Nations are made aware of the facts on which the Department of Justice Canada will rely to assess whether First Nations claims disclose an outstanding lawful obligation for the Government of Canada.

Use of Available Information and Feedback to Improve the Specific Claims Process

The OAG found that the Department was able to consider the impact of the Specific Claims Tribunal’s decisions, but was unable to provide evidence “that it had a formal process to identify improvements and make required changes.” Additionally, the OAG “found no evidence that the Department improved the specific claims process by using formal feedback from internal and external parties on the specific claims process or information regarding First Nations’ concerns about this process.”

Furthermore, “in 2011 an evaluation recommended that the Department communicate information to stakeholders regarding the process for claims over $150 million;” however the OAG found that “the Department agreed with this recommendation but did not implement it.”

As a result of these concerns, the OAG recommended that in “collaboration with First Nations, Indigenous and Northern Affairs Canada should develop practices to gather, monitor, and respond to information and feedback about the specific claims process.” According to the OAG, these practices “should be designed to improve the specific claims process and its outcomes.”

The Department agreed with this recommendation and stated that it is working with the Assembly of First Nations to develop ways in which to improve the specific claims process, “including establishing clearer terminology and common understandings of what information is reported.” In its action plan, INAC stated that “recommendations from the

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45 Ibid.
46 Ibid., para. 6.63.
47 Ibid., para. 6.66.
48 Ibid.
49 Indigenous and Northern Affairs Canada, Detailed Action Plan, p. 4.
Sub-Committee of First Nations / Canada Joint Technical Working Group on public reporting will be received by the Joint Technical Working Group” by Fall 2017.  

Therefore, the Committee recommends

Recommendation 4

That, by 30 April 2018, Indigenous and Northern Affairs Canada present a report to the House of Commons Standing Committee on Public Accounts detailing what progress has been made with regard to developing practices to gather, monitor, and respond to information and feedback about the specific claims process.

Departmental Reporting on the Specific Claims Process

Overall, the OAG observed that the Department’s “public reports were incomplete and did not contain the information needed to understand the actual results of the specific claims process. More specifically, the Department did not publicly report some negative results of the process.”

The OAG considers this important because “the government has been trying for several decades to implement an effective process to resolve specific claims and discharge the Crown’s outstanding lawful obligations to First Nations. Incomplete reporting may lead to faulty conclusions about program success” by parliamentarians and Canadians at large.

For example, the OAG drew the Committee’s attention to the Department’s assertion that, as of 31 July 2016, 136 claims were settled under Justice at Last. However, the OAG is of the opinion that “only 47 of these 136 claims were settled through the process reforms introduced by Justice at Last. The remaining 89 claims were already in negotiation, were close to settlement, or had already been settled (as was the case with 28 of these claims) before the Specific Claims Tribunal Act and the associated process reforms came into effect. According to the Department, as of July 2016, $2.3 billion had been paid to First Nations for specific claim settlements. Of this amount, 98 percent was used to settle the 89 claims described above.”

To address these matters, the OAG recommended the following:

50 Ibid.
51 Ibid., para. 6.68.
52 Ibid., para. 6.73.
53 Ibid., para. 6.74.
54 Ibid., para. 6.74.
55 Ibid.
• "Indigenous and Northern Affairs Canada should clearly report complete information about the specific claims process to allow the government and Canadians to assess real results." The Department agreed with this recommendation and stated that it is working with the Assembly of First Nations "to identify fair and practical measures to improve the specific claims process, including establishing clearer terminology and common understanding of what information is reported. Indigenous and Northern Affairs Canada continuously improves its reporting requirements to align with Privy Council Office, Treasury Board of Canada Secretariat, and Department of Finance Canada requirements."

• "Indigenous and Northern Affairs Canada should keep the information on the specific claims process on its website up to date." The Department agreed with this recommendation and stated that it will "ensure that the information on its website is updated in accordance with the web renewal initiative driven by Shared Services Canada and in accordance with Treasury Board of Canada Secretariat guidelines."

When questioned about these matters, Mr. Wild provided the following:

There are aspects of reporting that require collaboration with the Assembly of First Nations so that we can make sure what we are reporting meets their needs and their interests. The specifics of the technicality around the website are an issue we're working on with Shared Services Canada, and that doesn't involve others.

For his part, Mr. Gagnon explained that:

Part of the work we're doing with the Assembly of First Nations and others is to work on the kind of information that would be shared so that we have a common understanding of what we're reporting and what it means. They would argue that what we're reporting makes it look like there is more progress than there actually has been, so we're trying to come to some kind of terms.

In light of this testimony, the Committee recommends:

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56 Ibid., para. 6.79.
57 Indigenous and Northern Affairs Canada, Detailed Action Plan, p. 4.
61 Ibid., 1700.
Recommendation 5

That, by 30 April 2018, Indigenous and Northern Affairs Canada present a report to the House of Commons Standing Committee on Public Accounts that provides complete information about the specific claims process to allow the government and Canadians to assess real results, and confirm that the Department is keeping the information about the specific claims process on its website up to date.

CONCLUSION

In conclusion, the Committee agrees with the OAG in finding that INAC has been deficient in managing the resolution of First Nations specific claims as defined for the purpose of this performance audit. Indeed, this study found that funding cuts and the lack of information sharing between the Department and First Nations "posed barriers to First Nations’ access to the process for resolving specific claims." The OAG also found that INAC “failed to increase the use of mediation services and did not use available information and feedback to improve program performance.”

Lastly, the OAG found that INAC’s “selective reporting on the specific claims process provided an incomplete picture of results, which made it difficult for parliamentarians and Canadians to accurately assess overall program success.”

In this report, the Committee makes five recommendations that will provide it with the information needed to assess whether INAC has properly addressed these deficiencies. In order to provide First Nations—who have long had grievances related to the non-fulfillment of historic treaties and the mismanagement of Indian lands and monies—with Justice at Last, the federal government must ensure that the specific claims process delivers real results.

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63 Ibid., para. 6.82.

64 Ibid., para. 6.83.
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<tr>
<th>Recommendation</th>
<th>Recommended Action</th>
<th>Deadline</th>
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<tr>
<td>Recommendation 1 (p. 6)</td>
<td><em>Indigenous and Northern Affairs Canada</em> (INAC) needs to provide the Committee with a report detailing how it has increased the rate at which claims are resolved through negotiations in line with the aims of Justice at Last.</td>
<td>30 April 2018</td>
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<td>Recommendation 2 (p. 8)</td>
<td>INAC needs to provide the Committee with a report detailing what progress has been made with regard to negotiation practices for small-value claims; developing and implementing a strategy to use mediation more frequently; and, updating its website to reflect the full range of negotiation practices for all types of specific claims.</td>
<td>30 April 2018</td>
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<td>Recommendation 3 (p. 10)</td>
<td>INAC needs to provide the Committee with a report detailing what progress has been made with regard to developing a clear and consistent methodology for funding to First Nations to adequately support the research and preparation of claims; developing evidence-based methodology for loan funding to adequately support First Nations’ participation in the negotiation process; and, ensuring First Nations are made aware of the facts on which the <em>Department of Justice Canada</em> will rely to assess whether First Nations claims disclose an outstanding lawful obligation for the Government of Canada.</td>
<td>30 April 2018</td>
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<td>Recommendation 4 (p. 11)</td>
<td>INAC needs to provide the Committee with a report detailing what progress has been made with regard to developing practices to gather, monitor, and respond to information and feedback about the specific claims process.</td>
<td>30 April 2018</td>
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<td>Recommendation 5 (p. 13)</td>
<td>INAC needs to provide the Committee with a report that provides complete information about the specific claims process to allow the government and Canadians to assess real results, and confirm that the Department is keeping the information about the specific claims process on its website up to date.</td>
<td>30 April 2018</td>
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## APPENDIX A
LIST OF WITNESSES

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<th>Organizations and Individuals</th>
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<tr>
<td><strong>Department of Indian Affairs and Northern Development</strong></td>
<td>2017-02-15</td>
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<tr>
<td>Stephen Gagnon, Director General, Specific Claims Branch</td>
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<td>Joe Wild, Senior Assistant Deputy Minister, Treaties and Aboriginal Government</td>
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<td><strong>Office of the Auditor General of Canada</strong></td>
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<td>Jerome Berthelette, Assistant Auditor General</td>
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<td>Michael Ferguson, Auditor General of Canada</td>
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REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings (Meetings Nos. 45, 52) is tabled.

Respectfully submitted,

Hon. Kevin Sorenson
Chair