

# Makwa Sahgaiehcan First Nation

## Forensic Audit – Summary of Findings and Recommendations

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– Résumé des conclusions et recommandations

## Background

- In 2019, Indigenous Services Canada's (ISC) Assessment and Investigation Services Branch received twenty-nine allegations concerning financial irregularities, mismanagement of program funding; and, improper use of ISC funding by Makwa Sahgaiehcan First Nation.
- ISC received a Band Council Resolution from Makwa Sahgaiehcan First Nation to conduct an investigation into these allegations.
- Based on a preliminary assessment of the allegations, conducted by the Assessment and Investigation Services Branch, it was determined that a forensic audit would be launched.
- PwC LLP was contracted by ISC to conduct a forensic audit into the allegations and related use of ISC funding provided to Makwa Sahgaiehcan First Nation over the review period of April 1, 2016 to December 31, 2020.
- During the review period, Makwa Sahgaiehcan First Nation received approximately \$74.3 million in funding from ISC and \$311,895 of funding from the First Nations and Inuit Health Branch, formerly part of Health Canada but currently now part of ISC, for various programs.

## Purpose

The purpose of the Forensic Audit was to:

1. Conduct an independent investigation into the allegations received and, where possible, determine if the allegations are substantiated or not;
2. Identify any potential questionable or ineligible expenditures of Makwa Sahgaiehcan First Nation for recovery by ISC;
3. Provide ISC with any additional observations related to the program areas associated with the allegations, including recommendations regarding identified gaps or deficiencies in Makwa Sahgaiehcan First Nation's processes or internal controls; and,
4. Provide a written report on the results of the forensic audit to ISC.

## Findings

The audit identified:

- **\$20,062.72** in ineligible expenditures for which documentary evidence was obtained to confirm that the expenditures were not eligible to be claimed under specific ISC program funding requirements.
- **\$523,783.64** in unsupported expenditures for which sufficient documentation to support the eligibility of the expenditure was not provided or our findings suggest the expenditures may not be eligible under ISC funding.

## Summary of Recommendations

Recommendations resulting from the forensic audit were provided to the Makwa Sahgaiehcan First Nation to enhance their financial practices and internal controls. The recommendations are summarized as follows:

- Formalize band council practices, ensure all contractual agreements are in writing, develop policies and practices for funding, implement policies regarding signing practices, and consider implementing mandatory training for all new Chief and Council members.
- Develop policies for payroll advance eligibility, cell phone reimbursement, and travel; implement formal documentation processes, a centralized system for payroll advances, and conduct a cost benefit analysis for cell phone allowances.
- Implement procurement policies, seek multiple procurement estimates for large contracts, retain all supporting documents relevant to costs, and ensure an employee is responsible for confirmation and signatures regarding goods and services deliveries.
- Create and implement a Purchase Order system, advance approval of purchases of items with legitimate purposes, obtain monthly statements of accounts from third-party vendors, and ensure all goods and services are received prior to paying vendors.
- Implement a retention and record-keeping policy, expand recordkeeping processes, and retain all records and documents pertaining to student post-secondary funding eligibility.

## Follow-up

As a result of the forensic audit, the following actions have been taken:

- ISC's Saskatchewan Regional Office has recovered the ineligible expenditure amount and are in on-going discussions with the Makwa Sahgaiehcan First Nation on the eligibility of the unsupported expenditures.
- ISC's Saskatchewan Regional Office has been working with Makwa Sahgaiehcan First Nation to implement the recommendations of the audit and regular updates are provided to the Assessment and Investigation Services Branch.