

STANDARD-SETTING DUE PROCESS GUIDELINES

EXPOSURE DRAFT

AUGUST 2015

**COMMENTS TO FNFMB MUST BE RECEIVED BY
OCTOBER 31, 2015**

A link to an [online response form](#) has been posted with this document to assist you in submitting your comments to FNFMB. Alternatively, you may send comments via email (in Word format) to: standards@fnfmb.com addressed to:

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This Exposure Draft reflects proposals made by the First Nations Financial Management Board.

Individuals, governments and organizations are invited to send written comments on the Exposure Draft proposals. Comments are requested from those who agree with the Exposure Draft as well as from those who do not.

Comments are most helpful if they are related to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning. All comments received by FNFMB will be available on the website shortly after the comment deadline, unless confidentiality is requested. The request for confidentiality must be stated explicitly within the response.

Highlights

The First Nations Financial Management Board (“the FNFMB”) proposes, subject to comments received following exposure to issue Standard Setting Due Process Guidelines (“the Guidelines”). These Guidelines would apply to all future standard-setting activities conducted by the FNFMB.

Background

The Guidelines set out the process and procedures that the FNFMB will follow in setting standards. The FNFMB was given responsibility for setting standards within the legislative framework provided by the *First Nations Fiscal Management Act* (“the FMA”). Under the FMA the FNFMB has the responsibility for establishing financial administration law, financial performance, financial management system, local revenue account financial reporting standards and procedures for First Nations. To that end, the FNFMB decides what procedures are necessary in carrying out its standard-setting process and how those procedures should be carried out in specific circumstances. For purposes of this document, the term “standard” includes all material included in the FNFMB’s collection of standards and procedures (“Core Documents”). A list of Core Documents is included in Appendix D of the Guidelines for reference.

The Guidelines have been prepared to inform stakeholders about the way in which the FNFMB sets standards, including how stakeholders can participate in the process. These procedures are described as “due process”. Due process is designed to serve the FNFMB’s stakeholders by addressing the need for transparency in, and accessibility to, the development process, including consultation and responsiveness to input received. These procedures are critical in maintaining the objectivity of the process and the quality of the output. The basic ingredients of due process are information gathering, discussion and consultation.

These due process guidelines were established (and will continue to be updated as necessary) through an ongoing process of internal review and revision that has involved members of the FNFMB staff, the Board of Directors and technical advisors, including lawyers and accountants experienced in First Nations advisory services.

Main features of the proposal

Principles for standards

The Guidelines set out proposed principles to which all standards developed by the FNFMB must adhere:

- Relevance
- Neutrality
- Understandability
- Measurability
- Achievability

Principles for standards-setting activities

The Guidelines set out proposed principles to which all standard-setting activities undertaken by the FNFMB must adhere:

- Transparency
- Consultation
- Accountability

Timing of standards-setting activities

The FNFMB proposes to conduct an annual review of existing standards to assess the need for amendments to existing standards and/or new standards. This does not mean that standards will be changing on an annual basis. The projects undertaken to develop or amend standards can span several months or several years, depending on the scope of the project. New and amended standards will not come into effect immediately, but will contain a transition period of six-months to one-year. The transition period will be determined based on the significance of the change from current requirements.

Due process procedures

The proposed standard-setting due process will comprise seven steps:

- 1) Information gathering
- 2) Agenda setting and project planning
- 3) Development and publication of an exposure draft
- 4) Consultation
- 5) Development and publication of a final standard supported by a basis for conclusions document
- 6) Communication
- 7) Procedures after a standard is issued

Timing of adoption of proposed Guidelines

The FNFMB expects to issue the final Guidelines in the fourth quarter of 2015. The Guidelines will be effective for standard-setting activities beginning on or after the issuance of the final Guidelines.

Comments requested

FNFMB welcomes comments from individuals, governments and organizations on all aspects of the Exposure Draft.

Comments are most helpful if they relate to a specific principle, paragraph or group of paragraphs. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning.

Please respond to the following questions:

1. Do you agree that the FNFMB has provided sufficient opportunity for stakeholder involvement in the development of new standards and the amendment of existing standards in these due process guidelines?

2. Do you agree that the minimum consultation period should be 45 days? If not, how long should the minimum consultation period be?
3. Do you agree that the types of amendments called “annual improvements” in the due process guidelines should be considered annually? If not, how often should these be considered?
4. What is the best time of year for the consultation period to occur (e.g. summer, fall, etc.)?
5. Do you have any other comments on the FNFMB’s proposed due process?
6. Do you have any other suggestions on how the FNFMB can add more transparency and accessibility to its standard-setting activities?
7. Would you be interested in participating in the standard-setting Focus Group?

For your convenience, an [online response form](#) has been released with this document. Alternatively, you may send written comments by email in Word format to: standards@fnfmb.com

FIRST NATIONS FINANCIAL MANAGEMENT BOARD
STANDARD-SETTING DUE PROCESS GUIDELINES

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FIRST NATIONS FINANCIAL MANAGEMENT BOARD

STANDARD-SETTING DUE PROCESS GUIDELINES

Overview

This document sets out the guidelines that the First Nations Financial Management Board (“the FNFMB”) follows in setting standards. The FNFMB was given responsibility for setting standards within the legislative framework provided by the *First Nations Fiscal Management Act* (“the FMA”). Under the FMA the FNFMB has the responsibility for establishing financial administration law, financial performance, financial management system, local revenue account financial reporting standards and procedures for First Nations. To that end, the FNFMB decides what procedures are necessary in carrying out its standard-setting process and how those procedures should be carried out in specific circumstances. For purposes of this document, the term “standard” includes all material included in the FNFMB’s collection of standards and procedures (“Core Documents”). A list of Core Documents is included in Appendix D for reference.

This document has been prepared to inform stakeholders about the way in which the FNFMB sets standards, including how stakeholders can participate in the process. These procedures are described as “due process”. Due process is designed to serve the FNFMB’s stakeholders by addressing the need for transparency in, and accessibility to, the development process, including consultation and responsiveness to input received. These procedures are critical in maintaining the objectivity of the process and the quality of the output. The basic ingredients of due process are information gathering, discussion and consultation.

These due process guidelines were established (and will continue to be updated as necessary) through an ongoing process of internal review and revision that has involved members of the FNFMB staff, the Board of Directors and technical advisors, including lawyers and accountants experienced in First Nations advisory services.

References consulted in the development of these due process guidelines:

- Public Sector Accounting Board - *PSAB’s Due Process Procedures*
<http://www.frascanada.ca/public-sector-accounting-board/what-we-do/due-process/item73374.pdf>
- Accounting Standards Board - *AcSB Due Process Handbook*
<http://www.frascanada.ca/accounting-standards-board/what-we-do/due-process/item67162.pdf>
- IFRS Foundation - *IASB and IFRS Interpretations Committee Due Process Handbook*
<http://www.ifrs.org/DPOC/Documents/2013/Due-Process-Handbook-February-2013.pdf>
- International Accounting Standards Board – *How we consult: Encouraging broad participation in the development of IFRSs*
<http://www.ifrs.org/Documents/HOWWECONSULTFINALvb.PDF>
- International Organization for Standardization – *How does ISO develop standards?*
http://www.iso.org/iso/home/standards_development.htm

FIRST NATIONS FINANCIAL MANAGEMENT BOARD

STANDARD-SETTING DUE PROCESS GUIDELINES

1.0 GENERAL

1.1 Purpose – The purpose of these guidelines is to ensure that the FNFMB will conduct its standing-setting activities in a consultative, transparent, fair, consistent and unbiased manner to achieve standards that are recognized and accepted by stakeholders and for which compliance can be objectively measured.

1.2 Exceptions – The FNFMB may, under exceptional circumstances and at its discretion, add, remove, or modify these guidelines if they believe that it is in the best interest of the broader system created by the FMA.

2.0 DEFINITIONS

“Core Documents” means the standards and procedures established by FNFMB under section 55 of the *First Nations Fiscal Management Act* including related explanatory notes, guidelines and administrative templates, but excluding sample policies and procedures;

“COSO” means the most current internal control integrated framework as established by the Committee of Sponsoring Organizations of the Treadway Commission;

“FMA” means the *First Nations Fiscal Management Act*;

“FNFA” means the First Nations Finance Authority;

“FNFMB” means the First Nations Financial Management Board;

“FNTC” means the First Nations Tax Commission;

“SAC Committee” means the Standards, Approvals and Certification Committee of the Board of Directors;

3.0 PRINCIPLES FOR STANDARDS

The FNFMB consults with stakeholders to establish standards that meet the following principles:

- a. **Relevant** – To be relevant a standard must:
 - i. Remain consistent with the legislative framework in which it operates;
 - ii. Be appropriate for the financial management of First Nations governments;
 - iii. Support the services provided by the FNFA and the FNTC under the FMA;

- iv. Have substantive and language consistency among the Core Documents; and
 - v. Be accurate.
- b. **Neutral** – To be neutral a standard must be designed to provide the best operation, management, reporting and control of a First Nation’s financial management system without regard to how that standard may affect economic, political or social behaviour.
 - c. **Understandable** – To be understandable a standard must have a meaning that can be easily accepted and understood by First Nations communities and stakeholders.
 - d. **Measurable** – To be measurable a standard must be able to be assessed and objectively evaluated by First Nations and the FNFMB.
 - e. **Achievable** – To be achievable a standard must reflect best practice and/or be COSO compliant and its implementation must be feasible, useful, appropriate and likely to be effective.

4.0 PRINCIPLES FOR STANDARD-SETTING ACTIVITIES

The due process requirements are built on the following principles:

- a. **transparency** — the FNFMB conducts its standard-setting process in a transparent manner;
- b. **consultation** — the FNFMB considers the perspectives of those affected by its standards; and
- c. **accountability** — the FNFMB analyzes the potential effects of its proposals on affected parties and explains the rationale for why it made the decisions it reached in developing or changing a standard. The FNFMB is also accountable for following due process as set out in these Guidelines.

5.0 TIMING OF STANDARD-SETTING ACTIVITIES

5.1 Annual review of standards - The FNFMB will conduct a review of existing standards and assess the need for amendments to existing standards and/or new standards on an annual basis. An illustrative timeline for the annual review of standards is included in Appendix A. This timeline is for illustrative purposes only and will be amended as necessary.

5.2 Timing of Annual Improvements - Annual Improvements of the type described in section 6.3.5 and in Appendix C of these Guidelines will be assessed on an annual basis in accordance with the illustrative timeline set out in Appendix B. This timeline is for illustrative purposes only and will be amended as necessary.

6.0 PROCEDURES

FNFMB's due process normally comprises **SEVEN** steps:

- a. Information gathering (section **6.1**);
- b. Agenda setting and project planning (section **6.2**);
- c. Development and publication of an exposure draft (section **6.3**);
- d. Consultation (section **6.4**);
- e. Development and publication of a final standard supported by a basis for conclusions document (section **6.5**);
- f. Communication (section **6.6**); and
- g. Procedures after a standard is issued (section **6.7**).

6.1 Information gathering

6.1.1 Initiation – Proposals for new standards and/or amendments to existing standards are initiated by:

- Stakeholders, through their feedback;
- FNFMB Directors, through their direction;
- FNFMB staff, through the process of continuous improvement; and
- Necessity resulting from changes in the public sector, legislative and regulatory environments.

6.1.2 Appointment of project team – At the start of each annual standings-setting review cycle, the Director, Standards and Certification, will select a project team from the FNFMB staff to undertake the evaluation of proposals and draft the standard-setting agenda.

6.1.3 Evaluation of proposals – New standards and amendments to existing standards developed by the FNFMB should be designed to address problems identified with the existing requirements. Sometimes a problem identified with current standards can be remedied with a relatively minor amendment. In other cases, the problem might require a more significant change, such as a major change to a standard or the development of a new standard. Consequently, the first step in evaluating the proposals for new or amended standards is to assess and define the problem. This analysis will help the FNFMB decide whether it should add the proposals to its standard-setting agenda.

The FNFMB considers whether to add a proposal to the standard-setting agenda, taking into account the following factors:

- a) Changes in the external legislative and regulatory environment – whether the issue is broadly relevant, and has emerged as a result of changes in the external legislative and regulatory environment;
- b) Pervasiveness – whether the issue is one that:
 - i. affects more than a few First Nations and arises across Canada;

- ii. gives rise to problems that are frequent and material; and
- iii. will persist if not resolved;
- c) Urgency – whether the requests have been received from stakeholders, with adequate reasonable justifications, that FNFMB should address the issue as a matter of priority;
- d) Cost/benefit considerations - whether it is likely that the expected benefits to stakeholders of the improved standards will exceed the costs of implementation;
- e) Consequences – whether the absence of a standard might cause stakeholders to make suboptimal decisions;
- f) Feasibility – whether it is feasible to develop a sound solution within a reasonable time period;
- g) Sufficiency of resources – whether there are sufficient resources to undertake a project taking into account:
 - i. amount of additional information required – whether there is sufficient information about the topic to form a basis for beginning the project.
 - ii. availability of resources – whether there are adequate resources and expertise available to FNFMB and its staff to complete the project and undertake the necessary due process activities.
 - iii. availability of expertise outside FNFMB – whether there is outside expertise that FNFMB can employ to address the issue; or others have already committed resources to the project or have undertaken research to address the issue.
- h) Consistency – whether undertaking a proposal could increase consistency among existing standards. Any decision to converge corresponding standards is made on the basis of whether it would provide significant benefit to stakeholders.

6.1.4 Inclusion in the annual standard-setting agenda – On the basis of the factors described above, the project team decides whether any specific proposals are to be added to the annual standard-setting agenda.

6.2 Agenda setting and project planning

6.2.1 Standard-setting agenda – The annual standard-setting agenda is prepared by the project team. The standard-setting agenda sets out the proposed standard-setting projects for the current annual cycle. It is expected that some projects will be multi-year projects. The agenda will include multi-year projects currently in process and projects that extend beyond the end of the annual review cycle. The primary objective of the agenda is to help the FNFMB manage its resources effectively and to help it to prioritize its work. The FNFMB distinguishes between major and narrow-scope projects to clarify the scope of the work to be undertaken and to help reduce the risk of committing resources to a project when other projects should have a higher priority.

6.2.2 Project plans – Each proposed new standard or amendment to an existing standard has its own project plan. The individual project plans are prepared by the project team. The plans provide an overview of the timetable, staffing, the documents that are expected to be produced and the due process to be followed. The project plan is divided into manageable components and project milestones. Each milestone is assigned a target date of completion.

6.2.3 Communications plan – Included in each project plan is a stakeholder communications and outreach plan. This might include such activities as newsletters, email blasts, webinars, face-to-face meetings and fieldwork. The more significant the issue and proposed change, the more comprehensive the related communications package and outreach should be.

6.2.4 Discussion paper – In some cases the project team may issue a discussion paper on a particular project. The discussion paper is designed to help the Board of Directors decide whether to add the proposal to the annual standard-setting agenda. A discussion paper typically includes a comprehensive overview of the issue, possible approaches to addressing the issue including the anticipated effects and any preliminary views of the project team. Issuing a discussion paper is not mandatory. A discussion paper is not issued for narrow-scope issues or topics related to annual improvements.

6.2.5 Approval of agenda and project plans by Board of Directors – The annual standard-setting agenda and individual project plans, and any related discussion papers, are presented to the SAC Committee and Board of Directors for their consideration and approval.

6.3 Development and publication of exposure draft

The exposure draft is the FNFMB's main vehicle for consulting with stakeholders. Publication of an exposure draft is a mandatory step in the due process before a new standard can be issued or an existing standard can be amended. An exposure draft highlights the main features of, and requests comments on, a draft standard or draft amendment to a standard. The exposure draft is drafted by the project team. The development of an exposure draft begins with consideration of the issues raised during the information gathering phase, additional research performed by the project team, as well as comments received from the FNFMB Board of Directors and stakeholders.

6.3.1 Elements of the exposure draft – An exposure draft includes the proposed standard as well as the following elements:

- a. a comprehensive overview of the proposal;
- b. information explaining the FNFMB's rationale for the proposal, including the effects expected as a result of the proposal and other alternatives considered; and
- c. an invitation to comment.

An exposure draft also includes consequential amendments to other standards to maintain internal consistency of the complete set of Core Documents. Changes to cross-references, terminology and other matters that are more administrative in nature may be omitted if not significant.

6.3.2 Effect analysis – The FNFMB weighs effect considerations as a part of its deliberation when considering and drafting its analysis for the exposure draft. It should be noted that is rarely possible to make a formal quantitative assessment of the effects of standards. In forming its judgment on the evaluation of the effects of a proposed standard the FNFMB considers:

- a. the potential costs incurred by First Nations to implement the standard; and
- b. the potential benefits relating to accountability as a result of improved financial management.

6.3.3 Approval of exposure draft by Board of Directors – The exposure draft is presented to the SAC Committee and Board of Directors for consideration and approval.

6.3.4 Publication of exposure draft – When the exposure draft is complete and the Board of Directors has approved it for publication, the exposure draft is published for stakeholder comment in accordance with the communication plan developed as part of the project plan.

6.3.5 Exposing annual improvements – Some proposed amendments to standards that are sufficiently minor or narrow in scope can be packaged together and exposed in one document even though the amendments are unrelated. Such amendments are called “annual improvements”. Annual improvements follow the same due process as other amendments to standards, except that annual improvements consist of unrelated amendments that are issued for comment in a single exposure draft, rather than separately. The justification for exposing unrelated improvements in one package is that such amendments are limited to changes that either clarify the wording in a standard or correct relatively minor unintended consequences, oversights or conflicts between existing requirements of standards. Such amendments do not propose a new principle or a change to an existing principle. Proposed annual improvements should be well defined and narrow in scope. The FNFMB assesses proposed annual improvements against criteria consistent with the intent of annual improvements before they are published in an exposure draft. These criteria can be found in Appendix C.

6.4 Consultation

The FNFMB gains insight into the effects of its proposed standards through its consultations, both in consultative publications (exposure drafts) and communications with interested parties (liaison activities, meetings, etc.). The form of consultation will differ for each proposal and is defined in the project plan.

6.4.1 Comment period – The FNFMB allows for an appropriate period for comment on an exposure draft, relative to the subject matter. The FNFMB normally allows a period of no less than 45 days for comment on its exposure drafts.

6.4.2 Reduced comment period – In unusual circumstances, the FNFMB may reduce the period for stakeholder comment on an exposure draft to below 45 days or decide not to issue an exposure draft. If the comment period is less than 45 days the FNFMB must have a consultation plan that enables it to receive all necessary input during the shortened exposure period. If the FNFMB

decides not to issue an exposure draft it must be satisfied that the research completed is sufficient for the FNFMB to make a final decision on issuing the new or amended standard. Circumstances where the FNFMB may consider a comment period less than 45 days include:

- a. the matter is exceptionally urgent (i.e. the delay resulting from issuing an exposure draft with a 45 day comment period would have significant negative effects);
- b. the exposure draft is short;
- c. the FNFMB believes that there is likely to be broad consensus on the topic; or
- d. in the case of annual improvements projects.

6.4.3 Review of comment letters – After the comment period has ended, the project team reviews the comment letters received and the results of any other consultations. The project team prepares a summary of the comment letters, giving a general overview of the comments received and the major points raised in the letters. The analysis helps the project team to identify the areas on which they are most likely to need to focus their efforts during the deliberations or whether the FNFMB should even proceed with the proposal. The summary of the comments received and their disposition is included in the basis for conclusions document when the project is completed.

6.4.4 Publication of comment letters – Comment letters received are posted on the FNFMB’s website (www.fnfmb.com) unless confidentiality is requested.

6.4.5 Standing standard-setting Focus Group – The FNFMB will convene a standing Standard-setting Focus Group. The Focus Group is composed of FNFMB stakeholders and external consultants with whom the FNFMB will consult upon significant standard-setting projects. The purpose of the Focus Group is to provide information and advice based on the practical experience and expertise of its members.

- a. **Composition** – The Focus Group will include a limited number of representatives from the FNFMB’s stakeholders and will also include external consultants. The composition of the Focus Group will reflect the diversity and breadth of interest of the FNFMB’s stakeholders.
- b. **Selection of members** – The FNFMB will advertise to its stakeholders for expressions of interest in membership in the Focus Group. The Director, Standards and Certification will select members of the Focus Group with a view to ensuring that there is a satisfactory balance of perspectives.
- c. **Responsibilities of Focus Group** – Focus Group members are expected to provide timely feedback on the FNFMB’s exposure drafts. Recommendations and comments from the Focus Group members are included in the material for discussion by the project team.

6.4.6 Consultation with technical advisors – The consultation phase may also include consultation with selected technical advisors including, lawyers and accountants experienced in First Nations advisory services.

6.5 Development and publication of a final standard

The consideration of a new standard or amendment to an existing standard is carried out by the project team after considering the comments received during the consultation period. In deciding whether to change the standard proposed in the exposure draft, the project team:

- Takes into account substantial issues that emerged during the comment period on the exposure draft that it had not previously considered;
- Reviews input and advice from the Focus Group;
- Considers all of the evidence provided to it; and
- Evaluates whether it has sufficiently understood the issues and actively sought the views of stakeholders.

It is inevitable that the final draft of a new or amended standard will include changes from the draft originally proposed in the exposure draft. Changes from the exposure draft and the reasons for them are described in the basis for conclusions document prepared when the project is completed.

6.5.1 Re-exposure – After resolving issues arising from the exposure draft, the project team considers whether it will expose its revised proposal for stakeholder comment by publishing a re-exposure draft. If the project team is satisfied that the revised draft responds to the feedback received and that it is unlikely that re-exposure will reveal any new concerns, it should proceed to finalize the proposed standard. In considering re-exposure, the project team first decides whether, in its judgment, the standard proposed in the exposure draft has been significantly changed as a result of deliberation of the issues in light of comments received. The more extensive and fundamental the changes from the exposure draft and current practice, the more likely the revised draft should be re-exposed. Other considerations for re-exposure include:

- a. whether the revised draft includes any fundamental changes on which respondents have not had the opportunity to comment because they were not contemplated or discussed in the exposure draft;
- b. whether the FNFMB will learn anything new by re-exposing a revised draft;
- c. weighing the cost of delaying improvements to standards against the relative urgency for the need to change; and
- d. what additional steps, if any, have been taken to consult since the exposure draft was published. The use of the Focus Group or targeted consultation can give the FNFMB information to support a decision to finalize a revised draft without the need for re-exposure.

When the exposure draft proposal has been significantly changed, the project team will recommend to the Board of Directors that the proposal be re-exposed. The Board of Directors may decide not to re-expose. Those reasons would be described in the basis for conclusions document

prepared when the project is completed. If the FNFMB exposes revised proposals, the due process to be followed is the same as for the first exposure draft. However, because it is not the first exposure of the proposed standard, it may be appropriate to have a shortened comment period, particularly if the FNFMB is only seeking comments on specific aspects of the revised exposure draft.

6.5.2 Drafting of final standards – When the project team is satisfied that it has reached a conclusion on the issues arising from the exposure draft, it will draft the standard or amendment to a standard.

6.5.3 Accompaniments to final standards – Proposed new standards and improvements to existing standards must be accompanied by:

- a. a draft Core Document (for each Core Document impacted by the proposed new standard) that has been redlined from the previous version to enable changes to be identified and the evolution of the standards to be understood;
- b. a basis for conclusions document; and
- c. the effective date and transition provisions.

6.5.4 Effective date and transition – A standard, or an amendment to a standard, has an effective date and transition provisions. The mandatory effective date is set so that those applying the standard have sufficient time to prepare for the new requirements. Effective dates are generally six months to one year following the approval of the new standard or amendment to a standard by the Board and will normally coincide with the start of a calendar or financial year. The length of the transition period and the effective date are determined based on the significance of the change from current requirements. The transition period and effective date for major amendments or new standards will be longer to give stakeholders more time to prepare for the new requirements. The effective date and transition period for changes that address matters of a narrower scope will likely be shorter.

6.5.5 Basis for conclusions document – The project team prepares a basis for conclusions document. That document will include:

- a. the reasons for undertaking the proposal;
- b. alternatives considered and why the FNFMB made the decisions reflected in the final standard;
- c. an effects analysis taking into account all information obtained during the project;
- d. feedback to those who submitted comments on the exposure draft, identifying the most significant matters raised in the comment process and explaining how the FNFMB responded to those matters;

- e. a summary of the due process steps undertaken by the FNFMB in developing the standard; and
- f. a report on any exceptions to the principles of neutrality, relevance, understandability, measurability and achievability (refer to Section 3.0 Principles for standards).

6.5.6 Approval of final standard – To ensure the proper discharge of legislative duties, the Core Documents and their revisions must be approved by the FNFMB’s Board of Directors.

- a. **Review and recommendation by Director, Standards and Certification** – The Director, Standards and Certification, will review and recommend the draft standard or amendment to an existing standard, and accompanying documents, for presentation to the SAC Committee.
- b. **Review and recommendation by SAC Committee** – The draft standard or amendment to an existing standard, and accompanying documents, will be presented to the SAC Committee for review. The SAC Committee will review any proposed standards and amendments to existing standards and ensure that they adhere to this due process and may, for each proposed standard:
 - recommend acceptance to the Board of Directors;
 - not recommend the standard to the Board of Directors; or
 - request additional work be performed by staff and return to the SAC Committee in the future with a revised proposal.
- c. **Review and recommendation by Board of Directors** – Upon recommendation by the Chair, SAC Committee, the draft standard or amendment to a standard, and accompanying documents, will be presented to the Board of Directors for consideration. For each proposed standard the Board may:
 - Approve the standard;
 - Not approve the standard;
 - Request additional work be performed by staff and return to the SAC Committee in the future with a revised proposal; or
 - Approve the standard with a motion to instruct staff to implement a specific change, so long as the changes comply with this due process.

6.5.7 Issuance of final standard and publication of basis for conclusions – After the due process is completed, all outstanding issues are resolved, and the Board has approved the proposed final standard, the standard or amendment is issued, followed by publication of the basis for conclusions document. Redlined versions of the Core Documents impacted by the final standard or amendments are prepared by the project team.

6.6 Communication – Once approved by the Board of Directors the project team ensures that the new standard and/or amendment to existing standards is communicated to stakeholders in a timely manner. Communication to stakeholders of the final standard is made using one or more of the following channels:

- electronic newsletter;
- the FNFMB website (www.fnfmb.com);
- social media;
- hard copy published newsletter; or
- publication in the *First Nation Gazette* (www.fng.ca).

Depending on the nature of the new requirements, the FNFMB staff might also develop, and make freely available, a webcast and/or other communications materials. The more significant the changes to the standards, the more comprehensive the related communications package is likely to be.

6.7 Procedures after a standard is issued

6.7.1 Ongoing communication with stakeholders – After a standard is issued, the FNFMB staff continue to communicate with stakeholders through ongoing marketing activities, certification work and capacity development projects, as well as face-to-face presentations, newsletters and other forums. Through these communications and interactions it is expected that the FNFMB staff will receive feedback from stakeholders on whether unexpected issues have arisen from the implementation of the standard. If necessary, the FNFMB will consider amending the standard to clarify or otherwise address issues that have arisen. The feedback received during ongoing communication may lead to new issues being added to the FNFMB’s annual standard-setting agenda for the following year, with a view to providing an amendment or clarification to the standard.

6.7.2 Post-implementation review – The FNFMB may choose to carry out a post-implementation review of a new standard or major amendment to a standard. Such reviews consider whether a new or amended standard has been implemented and achieved the intended objectives. The reviews will also focus on important issues identified as contentious during the development of the standard and consideration of any unexpected costs or implementation problems encountered in practice. A review may also be prompted by changes in the external legislative and regulatory environment or comments made by the FNFMB staff, Focus Group members, or stakeholders. The post-implementation review may lead to new issues being added to the FNFMB’s annual standard-setting agenda for the following year, with a view to providing an amendment or clarification to the standard.

7.0 EDITORIAL CORRECTIONS

From time to time, there may be a need for an editorial correction such as correction of a spelling mistake, correction of numbering or correction to a cross-reference. Such corrections do not alter the technical meaning of the standard.

Editorial corrections are made without exposure with the approval of the Director, Standards and Certification. All editorial corrections will be reported to the SAC Committee and Board of Directors for their information via redlined versions of the Core Documents.

8.0 TRANSLATION

The standards issued by the FNFMB are published in both of Canada's official languages and have equal authority and effect. However, the working language of the FNFMB is English. Key due process documents are translated into French to provide francophone stakeholders an opportunity to participate in the development of standards. Input received from stakeholders in French is translated into English for consideration by the FNFMB. Translation is undertaken by qualified translators.

9.0 INFORMATION ON THE FNFMB'S WEBSITE

Publications and information related to the FNFMB's due process that are freely available on the organization's website are:

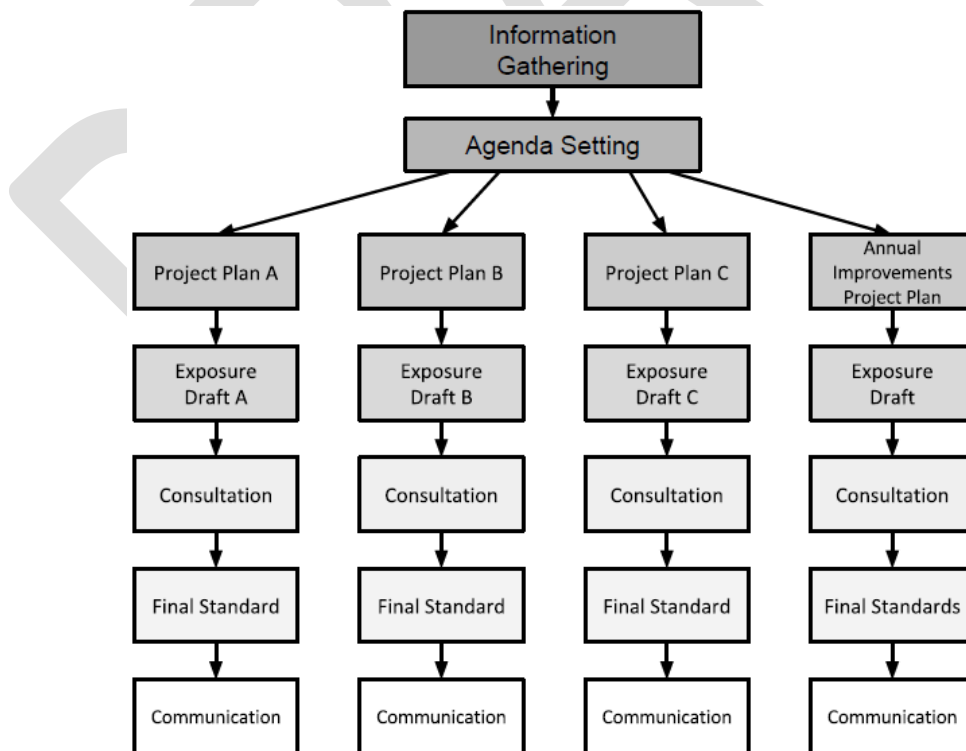
- a. current news of standard-setting activities of the FNFMB and other developments relevant to standards and standard-setting;
- b. exposure drafts of standards and amendments to standards;
- c. comment letters on exposure drafts;
- d. basis for conclusion documents for completed standards and amendments; and
- e. Core Documents.

APPENDIX A – Illustrative annual review timeline and due process steps

Figure 1 – Illustrative annual review timeline

STEP		TIMING	KEY ACTIVITIES
INFORMATION GATHERING		October - May	- Feedback received from clients and other stakeholders - Proposals for new or amendments to existing standards received and considered
PROJECT PLAN	Drafting	May	- Research performed by staff - Assessment of the impact on other Core Documents - Project plan drafted
	Approval	May (end)	- Project plan approved by the SAC Committee
PROJECTS BEGIN		June	- Project completion timeline dependent on individual project plan

Figure 2 – Sample standing-setting due process steps



APPENDIX B – Illustrative Annual Improvements timeline

STEP		TIMING	KEY ACTIVITIES
INFORMATION GATHERING		October - May	<ul style="list-style-type: none"> ▪ Feedback received from clients and other stakeholders ▪ Proposals for Annual Improvements received and considered ▪ Research performed by staff
PROJECT PLAN	Drafting	May	<ul style="list-style-type: none"> ▪ Assessment of the impact on other Core Documents ▪ Project plan drafted
	Approval	May (end)	<ul style="list-style-type: none"> ▪ Project plan approved by the Board of Directors
EXPOSURE DRAFT	Drafting	June - July	<ul style="list-style-type: none"> ▪ Exposure draft drafted by the FNFMB staff
	Approval	July (end)	<ul style="list-style-type: none"> ▪ Exposure draft presented to Board of Directors for approval ▪ Approved exposure draft released for stakeholder consultation
CONSULTATION		July - September	<ul style="list-style-type: none"> ▪ Consultation with stakeholders
FINAL STANDARDS	Drafting	September - October	<ul style="list-style-type: none"> ▪ Results of consultation considered ▪ Final standards drafted ▪ Basis for conclusions drafted
	Approval	October (end)	<ul style="list-style-type: none"> ▪ Results of consultation presented to Board of Directors ▪ Proposed final standards presented to Board of Directors for approval, including basis for conclusions document
COMMUNICATION		October (end)	<ul style="list-style-type: none"> ▪ Final standards and basis for conclusions document released to stakeholders ▪ Documents are translated into French and communicated accordingly

APPENDIX C – Annual Improvements

Annual Improvements Criteria

To be addressed as an annual improvement, an issue must be:

- a correction of an error; or
- clarification of existing guidance.

Corrections of errors consist of:

- resolving conflicts between existing requirements in the standards;
- addressing oversights in creation of the standards; or
- addressing unintended consequences of the existing requirements.

Clarifications of existing guidance generally address:

- unclear wording in the standards; or
- an absence of guidance in the standards.

Issues that are not corrections of errors or clarifications of existing guidance generally will not be addressed in the annual improvements process. Issues determined not to meet the criteria for inclusion in the annual improvements may be addressed outside that process.

Guidelines for Clarifications

The following guidelines are used to determine whether a clarification should be addressed as part of the annual improvements. These guidelines are not intended to act as definitive rules; accordingly, there may be cases in which issues that do not meet all of these guidelines are addressed. Other factors may also be considered in evaluating a particular issue. These include:

- **Clarifications should be narrow in scope.** Major changes are not included in the annual improvements process. For example, a suggestion to change a fundamental or pervasive part of a standard would generally be a major improvement and, accordingly, not an annual improvement.
- **An issue should be widespread in practice.** Unique, or very rare, situations are generally not addressed. While issues that are relevant to one particular group of First Nations may be appropriate topics, those that affect very few entities overall will generally not result in an annual improvement.
- **Timeliness is important.** When an issue relates to a standard that is expected to be modified as part of a current major improvements project, there must be a need to make the improvement sooner than the completion of the major project in order for it to be addressed. Such circumstances are expected to be rare.

Annual Improvements Process

The FNFMB uses the criteria above to assess whether a specific issue should be addressed as part of the annual improvements process. Ensuring that an issue meets these criteria promotes efficient discussion of the issue. Issues are considered during the year and then bundled together for purposes of exposure and issuance as amendments to the Core Documents. This “bundling” reduces the number of times changes to the standards are proposed and issued and makes it easier for stakeholders to keep current with changes to the standards.

APPENDIX D – List of Core Documents

FINANCIAL ADMINISTRATION LAW		DESCRIPTION
A1	FINANCIAL ADMINISTRATION LAW – REVIEW PROCEDURES	Procedures to apply when requesting a compliance approval of the First Nation’s Financial Administration Law.
A2	FINANCIAL ADMINISTRATION LAW – STANDARDS	Standards that support sound financial administration practices for a First Nation government in Canada.
A3	SAMPLE FINANCIAL ADMINISTRATION LAW	Example of a law which meets the requirements of the A2 Financial Administration Law – Standards.
A4	FINANCIAL ADMINISTRATION LAW – EXPLANATORY NOTES	Provides assistance on the development of a Financial Administration Law by discussing the structure and substantive content of the A3 Sample Financial Administration Law.
A5	FINANCIAL ADMINISTRATION LAW – SELF-ASSESSMENT	Tool that can be utilized to compare existing or proposed Financial Administration Law(s) of the First Nation to the A2 Financial Administration Law – Standards.
FINANCIAL MANAGEMENT SYSTEM		
B1	FINANCIAL MANAGEMENT SYSTEM – CERTIFICATION PROCEDURES	Procedures to apply when requesting a review of the First Nation’s financial management system.
B2	FINANCIAL MANAGEMENT SYSTEM – STANDARDS	Standards that support sound financial practices for the operation, management, reporting and control of the financial management system of a First Nation.
B3	FINANCIAL MANAGEMENT SYSTEM – SELF-ASSESSMENT	Tool that can be utilized to compare the existing financial management system of the First Nation to the B2 Financial Management System – Standards.
FINANCIAL PERFORMANCE		
C1	FINANCIAL PERFORMANCE – CERTIFICATION PROCEDURES	Procedures to apply when requesting a review of the First Nation’s financial performance.
C2	FINANCIAL PERFORMANCE – STANDARDS	Standards that assess the historical financial performance of a First Nation over a five year period using up to seven financial ratios.
LOCAL REVENUE ACCOUNT		
D1	LOCAL REVENUE ACCOUNT – FINANCIAL REPORTING STANDARDS	Standards that establish the financial reporting requirements for the separate annual financial statements of a First Nation’s local revenue account.
D2	LOCAL REVENUE ACCOUNT – ILLUSTRATIVE FINANCIAL STATEMENTS	Illustrative annual financial statements designed to comply with the D1 Local Revenue Account – Financial Reporting Standards.

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