



First Nations Financial Management Board

Corporate Plan 2011 - 2012

1/31/2011

Approved by the Board of Directors: January 21, 2011

First Nations Financial Management Board

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Executive Summary

The First Nations Financial Management Board (“FMB”) is providing tools and services to First Nations that are assisting them in developing the capacity to meet their expanding fiscal and financial management requirements. This capacity development is needed to gain private sector confidence and attract the investment capital needed to support First Nation economic and community development. Although the initial focus of the FMB is to provide services to First Nations participating in financing through the *First Nations Fiscal and Statistical Management Act (“FSMA”)*, the tools and services developed by the FMB have a broader application that responds to the needs of many different stakeholders. It is expected that the first FSMA debenture will be issued this fiscal year. In response to this, the primary focus of the FMB will be to provide certification and law approval services to First Nations’ seeking to be part of the first securitization through the FSMA. Additionally, we will continue the work on other initiatives that respond to the broader legislative purposes of the FMB in the spirit of consultation and partnership with governments, First Nations and the private sector.

The inaugural Board of Directors was appointed in May 2007 and the FMB became operational in August 2007. In these initial three and half years, the FMB has built a credible organization from the ground up. During the development phase of its business activities, FMB hired necessary staff, conducted research, developed policies, procedures, and standards, as well as created an administrative structure to support a specialized institution with a unique public mandate.

There is no Indigenous organization in the world with a legislative mandate similar to that of the FMB. This mandate includes establishing financial administration law, financial performance and financial management system standards as well as law approval and certification services. Those First Nations who choose to participate in the *FSMA* and meet certain requirements are eligible for membership in the First Nations Finance Authority (FNFA) and entry into the FNFA borrowing pool. FMB certification confirms to all stakeholders that the First Nations’ financial administration law or laws, financial performance and financial management systems meets FMB standards. FMB standard are consistent with internationally recognized COSO and ISO 9001 frameworks. FMB performs periodic compliance testing services that, at a point in time, affirm a First Nation is continuing to comply with FMB standards and their financial administration law or laws respecting financial administration.

The broader legislative purposes of the FMB includes the mandate to provide advice, policy research and evaluative services on the development of fiscal arrangements between First Nations’ governments and other governments as well as developing and supporting the application of general credit rating criteria to First Nations. The overarching objective of all FMB purposes is to instill more confidence in the stability, accountability, transparency, and financial stewardship in First Nation governments.

FMB will deliver its purposes through three business lines:

Table 1- FMB Business Lines and Objectives

Business Line	Objectives
Supporting First Nation governments	<ul style="list-style-type: none"> • Increase First Nation access to capital through certification • Strengthen First Nation financial administration by promoting sound,

	<p>stable, and transparent First Nation financial management systems</p> <ul style="list-style-type: none"> • Enable First Nations to better respond to membership, and other stakeholders questions about their financial capacity and financial performance
Services to other governments and organizations	<ul style="list-style-type: none"> • Promote financial relationships between First Nations and other governments that are appropriate, effective, efficient, and mutually beneficial.
Corporate Services	<ul style="list-style-type: none"> • Provide the administrative resources and facilities to enable the other business lines to operate effectively

The budget for core activities for fiscal year 2011/12 is \$4,192,552. These resources will enable the FMB to continue to deliver services to First Nations nationwide. In 2011/12, objectives and strategies will center on prioritizing *FSMA* potential borrowing members that are most ready and can be successful in FAL approval and certification. Furthermore, with the evolving accountability environment for First Nations, the FMB will continue research and policy development on financial management best practices and tools that enable First Nations to exercise greater control over their economic future and participate more fully in the modern economy.

The FMB's financial performance is summarized below:

Table 2 – Financial Performance

	Actual 2009/10	2010/11 Forecast	2011/12 Plan
Salary & Benefits	\$1,079,306	\$1,180,491	\$1,282,395
Client Service Delivery	736,456	688,541	748,000
Policy Development	808,048	883,714	780,000
Operations & Management	737,180	745,216	651,357
Board of Director Fee & Expense	330,404	395,545	490,600
Travel	118,491	121,719	160,200
Capital	65,714	18,112	80,000
Total	\$3,875,599	\$4,033,338	\$4,192,552

Mandate

The FMB will provide the tools and guidance that will instill confidence in First Nations' financial management and reporting systems to support economic and community development.

Section 49 of the *FSMA* establishes the following legislative mandate for the FMB:

- Assist First Nations in developing the capacity to meet their financial management requirements;
- Develop and support the application of general credit rating criteria to First Nations;
- Provide review and audit services respecting First Nation financial management;
- Provide assessment and certification services respecting First Nation financial management and financial performance;
- Provide financial monitoring services respecting First Nation financial management and financial performance;
- Provide co-management and third party management services;
- Assist First Nations in their dealings with other governments respecting financial management, including matters of accountability and shared fiscal responsibility;
- Assist First Nations in the development, implementation and improvement of financial relationships with financial institutions, business partners and other governments, to enable the economic and social development of First Nations;
- Provide advice, policy research, and review and evaluative services on the development of fiscal arrangements between First Nations' governments and other governments.
- Set standards respecting:
 - a) The form and content of financial administration laws
 - b) Approvals of financial administration laws
 - c) Certification of first nation financial management systems
 - d) Certification of first nation financial performance
 - e) Financial reporting for the local revenue account

Corporate Profile

The FMB operates as a shared governance institution under Part 3 and 6 of the *FSMA* which went into effect April 1, 2006. The Act sets out the purposes, functions and powers of the FMB and establishes an-at-arms-length relationship between the FMB and the federal government. Accordingly, the FMB is not an agent of the Crown and has the capacity, rights, powers and privileges of a natural person.

Corporate History

The FSMA was originally drafted in 2001. The BC First Nations Summit supported the draft legislation and began sponsoring the FMB in 2002. An FMB advisory panel was established in 2002 to support the legislative process and the development of FMB.

The FSMA had all party support in both the House of Commons and the Senate during the legislative process of 2004 and 2005. It received Royal Assent on March 23rd, 2005 and came into force on April 1st, 2006. After the Board of Directors' approval of the first FMB Corporate Plan, the FMB became operational in August 2007.

The FSMA is an optional initiative - in order to participate First Nations pass a Band Council Resolution and are then added to the FSMA Schedule. There are currently fifty-eight (58) First Nations that have done so and are now listed on the FSMA schedule. This is the main client base of the FMB. In addition to those on the schedule, there has been interest of non-scheduled and non-taxing First Nations that are interested in securitizing their non-taxation revenues, and others that simply wish to improve their financial management system and work with the FMB.

Organizational Structure

The FMB operates under a shared governance model that makes the FMB Board of Directors accountable to the Minister of Indian & Northern Affairs Canada and responsible for ensuring the FMB fulfills its legal and regulatory mandate. Under this model, the FMB board of directors consist of a minimum of nine and a maximum of thirteen directors, including a Chairperson and Vice-Chairperson and a majority of the of the board members are named by the Governor in Council (GIC) and up to three members are appointed the Aboriginal Financial Officers Association of Canada (AFOA) which was chosen to make the non GIC appointments as it is a group which represents those who are knowledgeable about First Nation financial management and who would be able to identify an individual with appropriate qualifications to sit on the board.

Given that FMB is a new institution and has a very strategic public mandate relating to First Nations financial management, the oversight role and responsibilities of the Members of the Board go beyond the traditional activities on most boards. Under this model, the Chairman of the Board serves also as the Executive Chairman, contributing actively to the corporate strategy, strategic partnerships and as primary connection with the federal government.

To date, the Board of Directors has formed four (4) committees:

- Audit and Risk Management Committee;
- Governance and Human Resources Committee;
- Standards, Approvals and Certification Committee; and,
- Capacity Development Committee.

Figure 1(below) illustrates the organization structure of the FMB. Descriptions of the positions are described below.

FMB Organizational Chart

Sunday, January 16, 2011

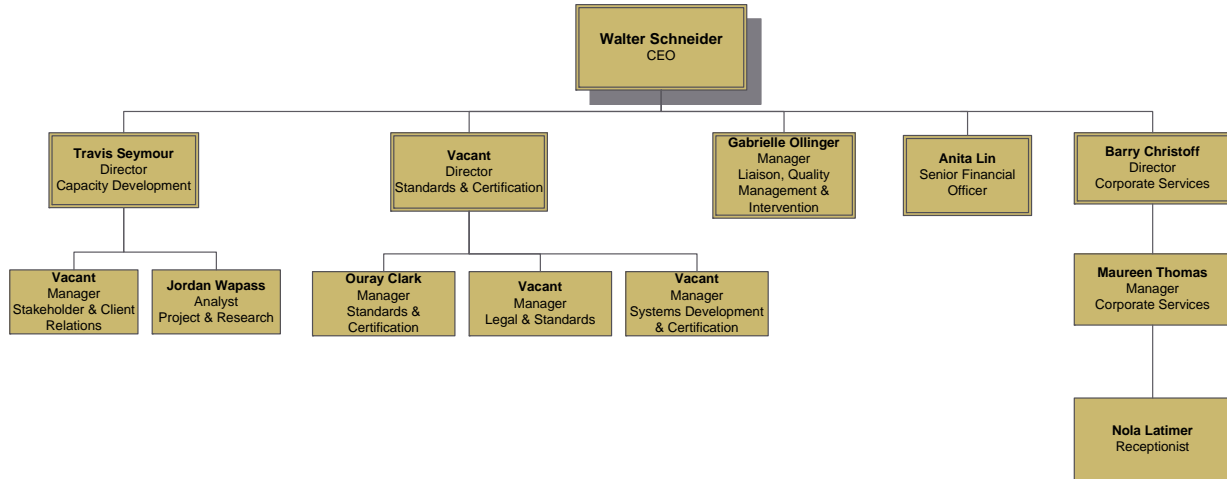


Figure 1 - FMB Core Staffing Organizational Chart

Chief Executive Officer

The CEO is responsible for carrying out the decisions of the Board of Directors, for supporting and implementing the vision and decisions of the Board, as well as for implementing the strategic and corporate plans for the organization. In doing so, the CEO is primarily responsible for providing leadership and management of the day-to-day operations including the financial function, risk management and insurance decisions.

Director Standards and Certification

The Director Standards and Certification is part of the senior management team reporting to the CEO. The Director is responsible for ensuring that the FMB standards for financial administration law, financial management system, and financial performance are fully developed and continually improved as well as ensuring that policy and procedures for financial management system and financial performance certification are established.

Manager Standards and Certification

The Manager Standards and Certification reports to the Director of Standards and Certification and is responsible for managing First Nation clients during the pre-certification process and for providing other support services to First Nations developing Financial administration laws and financial management systems.

Director Capacity Development

The Director Capacity Development is a part of the senior management team reporting to the CEO. The Director is responsible for developing strategies for capacity building and developing resources that will aid First Nations in becoming certified. The director is responsible for creating and maintaining relationships with other institutions that will help develop and deliver curriculum as well as for overseeing special research and analysis projects.

Manager First Nations Liaison, Quality Management and Intervention

The Manager First Nations Liaison, Quality Management and Intervention reports to the CEO and is responsible for managing and monitoring the on-going relationship with scheduled and non-scheduled First Nations, as well as performing the duties of the Intervention Officer as required by the regulations.

Director Corporate Services

The Director Corporate Services reports to the Chair / CEO and is responsible for managing daily administrative and organizational matters for the Board of Directors, Board Committees and the Chair. The Corporate Secretary will provide advisory support to the Board of Directors on governance practices and secretarial support including taking and producing minutes for all Committee and Board meetings.

Corporate Services Manager and Privacy Officer

The Corporate Services Manager and Privacy Officer will report to the Director Corporate Services and is responsible for information and records management, payroll and benefits management, management reporting, and managing the risks and business impacts of privacy laws and policies.

Senior Financial Officer

The Senior Financial Officer will report to the CEO and will oversee the overall accounting activities, including the day-to-day finance and administration, reconciliation, month end close, budget analysis, and financial reporting. The Senior Financial Officer will review financial internal control procedures, coordinate continuous quality improvement and projects as assigned by the CEO.

Research Analyst Capacity Development

The Research Analyst Capacity Development reports to the Director Capacity Development and is accountable for the FMB course curriculum development and training process as well as the development, roll-out, and maintenance of the FMB capacity assessment tools. Responsibilities include research projects and special assignments that are delegated by the Director Capacity Development.

Receptionist /Administrative Assistant

The administrative assistant reports to the Corporate Services Manager and is accountable for creating a professional image for FMB in both answering the phone and in dealing with visitors to the office. Primary responsibilities also include providing effective administrative and organizational support to the office and managing daily administrative and organizational matters of the organization.

Principle Business Activities

The FMB is part of the regulatory regime established by the *FSMA* that enables First Nations to finance public infrastructure by pledging their property tax revenue to repay the loan. In order to participate, First Nations must apply to be added to the *FSMA* schedule. *Figure 2* below illustrates the relationship among participating First Nations, taxpayers on their lands, the fiscal institutions established by the *FSMA* and the capital markets.

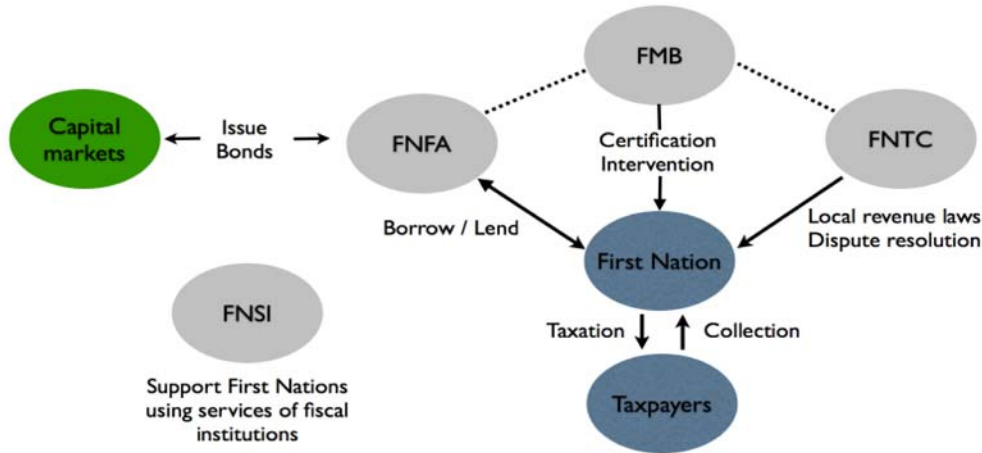


Figure 2 -An overview of the FSMA Regulatory Regime

Lessees / taxpayers on First Nations lands pay property taxes to a First Nation in return for the provision of services. The property tax system, including property taxation, assessment, rates and expenditure laws, is regulated by the First Nations Tax Commission (FNTC).

In order for First Nations to pledge their taxation revenues for loans through the *FSMA* legislative program, the First Nation must become a “borrowing member” of the First Nations Finance Authority (FNFA). Before a First Nation is eligible to be considered for membership in the FNFA, the FMB must issue a certificate to the First Nation indicating that it meets the standards set by the FMB under the *FSMA*. For these purposes the FMB has issued *Financial Management System Standards* for purposes of issuing a Financial Management Systems Certificate and the *Financial Performance Standards* for the purposes of issuing a First Nation Financial Performance Certificate. Either of these certificates may be used by a First Nation to support its application to become a borrowing member of the FNFA.

A First Nation will not be issued a Financial Management Certificate or a Financial Performance Certificate by FMB unless the First Nation’s law or laws respecting financial administration have first been reviewed and approved by the FMB. The First Nation’s law or laws must meet the requirements of the *Financial Administration Law Standards* before they will be approved. The FMB has issued the *Financial Administration Law Review Procedures* to guide First Nations who are applying for approval of their Law or Laws respecting financial administration.

The FNFA will aggregate First Nation borrowing requests and raise money through a bond issue in capital markets. The proceeds of the bond issue

will then be distributed among the participating First Nations according to their requests and borrowing room.

The *FSMA* provides FMB with authority to require First Nations to enter co-management or 3rd party management in three circumstances. The FNFC may, in certain circumstances relating to First Nation tax laws, direct the FMB to impose Co or 3rd party management over the First Nations local revenues. The FNFA has the parallel power to direct FMB to require a First Nation to enter Co or 3rd party management if a Borrowing Member First Nation has not met its financial obligations. Finally, the FMB can self-initiate intervention, if in their opinion; there is serious risk that a First Nation will default on an obligation to the FNFA.

Pursuant to S.142 of the Act, the Governor in Council has recently developed "*Financing Secured by Other Revenues Regulations*", a regulation prescribing the use of certain First Nation "Other Revenues" to secure financing from FNFA. The regulation contemplates that a First Nation with both property tax revenues and other revenues can use either or both for borrowing. The regulation has been developed by Canada in a collaborative effort with the *FSMA* institutions, and is in the final legislative process. The FMB certification and intervention functions as described above continue to exist and are considered an integral part of the process to borrow from the FNFA using 'other revenues'. The only difference from the FMB perspective is that Co or 3rd party management will involve intervening on other revenue accounts.

The regulations prescribed other revenues are:

- a) tax revenues and fees other than tax revenues administered by Canada on behalf of the First Nation and local revenues;
- b) revenues otherwise payable to the First Nation under a contract with any person other than Her Majesty;
- c) royalties payable to the First Nation under the *First Nations Land Management Act* or *First Nations Oil and Gas Monies Management Act*;
- d) royalties payable to the Crown under the *Indian Act* or *Indian Oil and Gas Act*, where the First Nation has assumed control of its monies under the *First Nations Oil and Gas Monies Management Act*;
- e) revenues from leases, permits or other instruments authorizing the use of reserve land issued under the *First Nations Land Management Act*, where the First nation has assumed control of those revenues under section 69 of the *Indian Act* or under the *First Nations Oil and Gas Monies Management Act*;
- f) revenues, other than local revenues, from businesses wholly or partly owned by the First Nation, including dividends from shares owned by the First Nation;
- g) transfers from a provincial, regional, municipal or local government;
- h) any other transfers from Her Majesty in right of Canada if the transfer agreement specifically permits such a use and any other applicable conditions are satisfied; and,
- i) interest earned by the First Nation on deposits, investments, or loans.

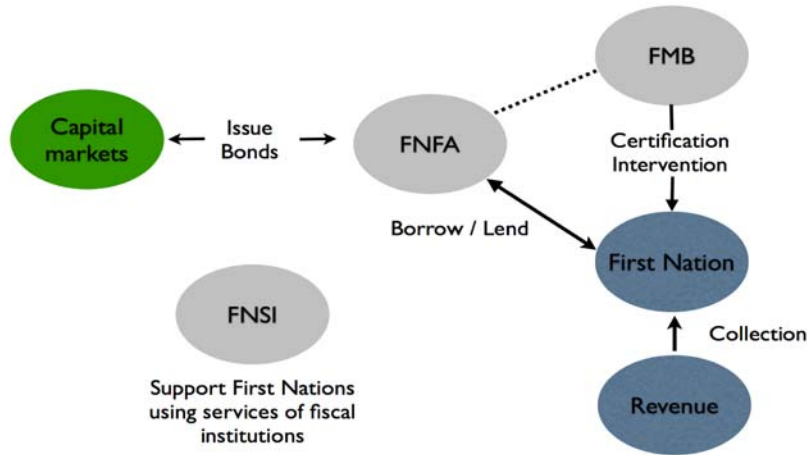


Figure 3 - A preliminary overview of the "other" revenues regulatory regime

Figure 4 below illustrates the relationship among the various standards, approvals, and certifications that are offered by the FMB. The *FSMA* provides the authority for the FMB to establish standards for financial administration laws. To support First Nations in developing their own laws, the FMB has developed a sample that, if adopted by a First Nation, would meet the FMB standards. Once the First Nation has developed and adopted their law, they are able to submit it for review and, if it meets the standards, obtain approval by the FMB.

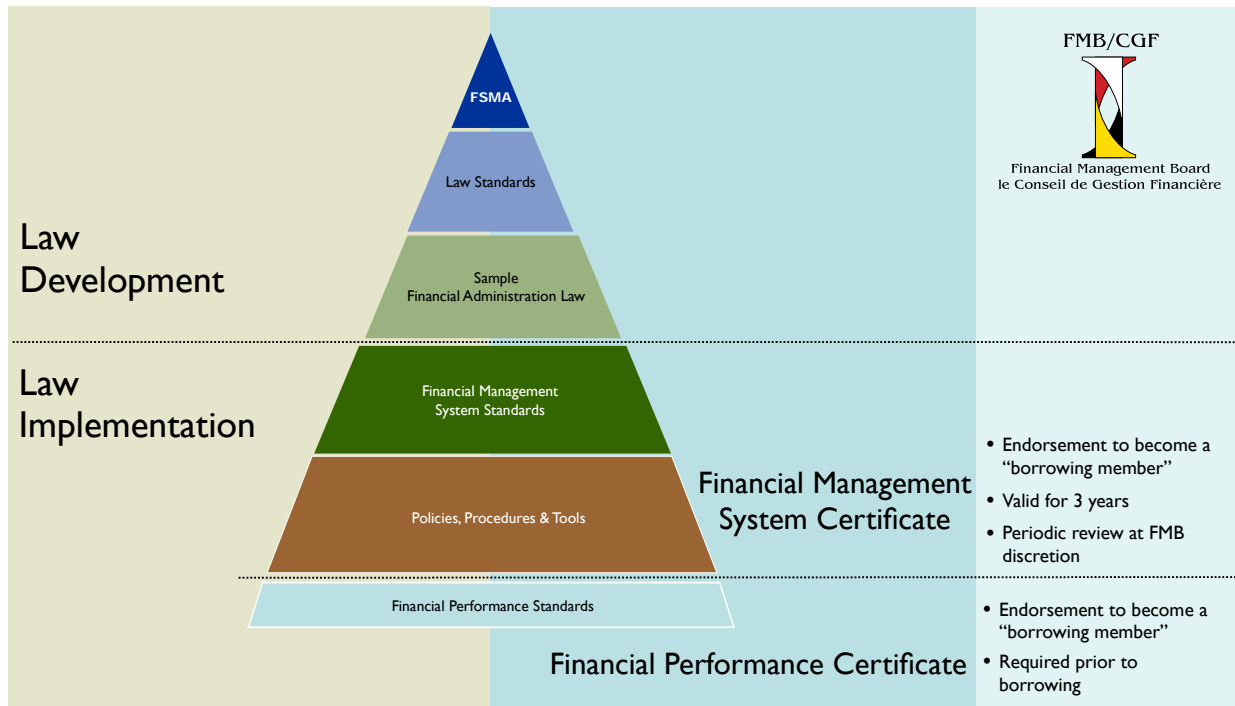


Figure 4 - Financial Administration Law Development and Certification

The First Nation must also implement the rules established under their law in order for the financial management system to be certified. The FMB has developed *Financial Management System Standards* as a guideline for elements that will be examined in the review of a financial management system.

Once the First Nation has developed the system or implemented the appropriate policies and procedures, the First Nation will request FMB to review and confirm that their financial management system is in compliance to FMB standards. If in compliance, the FMB will issue a Financial Management System Certificate.

A separate "Financial Performance Certificate" will be required at the time of any new borrowing law through the *FSMA*. This certificate is intended to provide a point in time financial performance assessment of a First Nation against financial performance standards established by FMB using the application of seven (7) financial ratios. The assessment determines whether a First Nation is within the indicator thresholds established by the FMB and is not intended for assessing whether a First Nation is qualified for any particular loan or financing. The Financial Performance Certificate provides confidence to the Capital Markets and the other First Nation borrowing members that a certain financial performance benchmark has been met by all members of the borrowing pool.

There are two preconditions to becoming a borrowing member from the FNFA under S.76 of the *FSMA*. First, a First Nation must demonstrate it has received an FMB certificate. Second, the First Nation must have a Financial Administration Law or Law(s) respecting financial management confirmed to be in compliance with FMB standards.

First Nations seeking borrowing member status for the first time have two options with respect to which certificate is presented: i) a Financial

Management System Certificate, or ii) a Financial Performance Certificate. First Nations that apply for, and achieve Financial Performance Certification in advance of Financial Management System Certification can defer most of the implementation of their Financial Administration Law for up to 36 months. This means, by necessity that the financial administration law can have certain coming into force provisions and the First Nation would have to agree to commence work necessary to achieve a Financial Management System Certificate.

Once a First Nation is a borrowing member and requests financing from the FNFA, a Financial Performance Certificate is required as a condition for approval of a borrowing law by the FNTC (for local revenues) or the FNFA (for other revenues). First time borrowing members can use the Financial Performance Certificate obtained to become a borrowing member.

A First Nation would not be accepted for a second borrowing from the FNFA until they had achieved Financial Management System Certification from the FMB. *Figure 5* below illustrates the process.

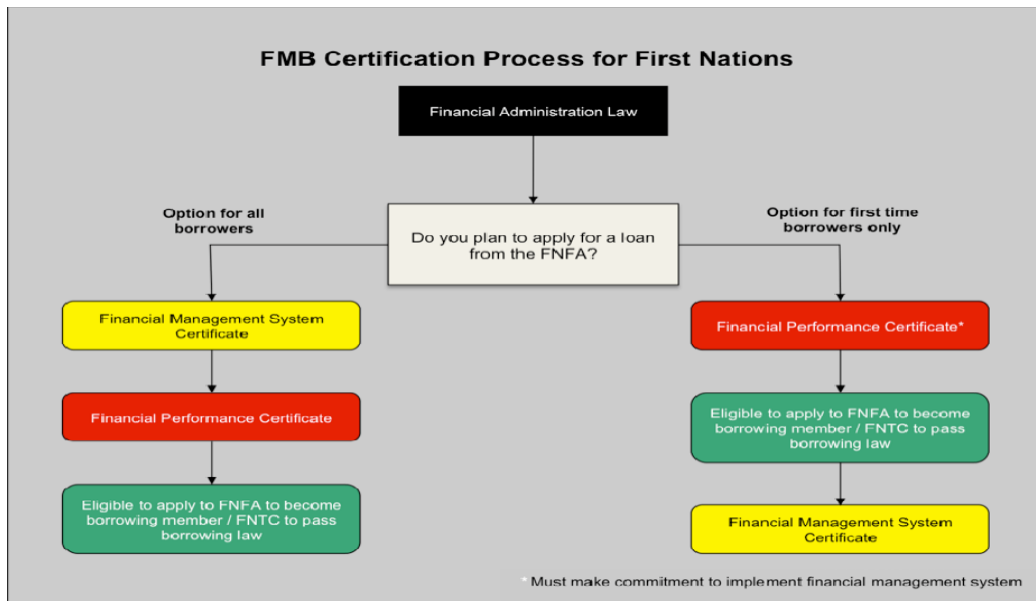


Figure 5 - Approaches to certification

The process as explained above and the overall FMB body of work have received positive feedback from experts in the market. The FMB framework in assessing financial performance, in particular, has been vetted by one of the major accounting firms, 2 national investment banks, and a global Rating Agency. These organizations have stated that the FMB framework for assessing financial performance is appropriate and the metrics used are credible.

It is also worth mentioning that FMB has carried out initial research on using the FMB Financial Performance Certificate as a proxy in INAC's risk based general assessment. The initial feedback has been positive as the FMB metrics would satisfy the need to assess the longer term sustainability and fiscal flexibility of First Nations.

This Corporate Plan anticipates ongoing research and coordination with the stakeholders described above with the objective of gaining broad

acceptance of the FMB framework.

FMB Tools

Since the FMB began operations, the Board of Directors has reviewed and approved a range of tools that First Nations have begun to use to improve their financial management systems. These tools and documents are described in the tables below:

Table 3 – Procedures

Name	Description
Financial Administration Law – Review Procedures (“A1”)	<ul style="list-style-type: none"> • Determines whether a First Nation has a financial administration law that meets the requirements of the FAL Standards and whether a First Nation’s financial management system is established, managed, and operated in material compliance with the FMS Standards • The procedures defining the roles of a First Nation and the FMB during the approval of a financial administration law
Financial Management System – Certification Procedures (“B1”)	<ul style="list-style-type: none"> • The procedures defining the roles of a First Nation and the FMB during the certification of a financial management system
Financial Management System – Certification Procedures (“C1”)	<ul style="list-style-type: none"> • The procedures defining the roles of a First Nation and the FMB during the certification of financial performance
Intervention policy	<ul style="list-style-type: none"> • Sets out the process for intervention to a First Nation’s local revenue account or other dedicated revenue account. • Intended to maintain the integrity of the <i>FSMA</i> framework by providing protection to the bondholders, ratepayers on reserve lands, and to the members of the borrowing pool through an administratively efficient intervention program.

Table 4 – Standards

Name	Description
Financial Administration Law Standards (“A2”)	<ul style="list-style-type: none"> • Elements of a financial administration law that would support sound financial management practices for a First Nation government in Canada. • Based on recognizable international standards, which were further refined to meet the needs of first nation governments
Financial Management System Standards (“B2”)	<ul style="list-style-type: none"> • Establishes basic requirements for sound financial practices for the operation, management, reporting and control of the financial management system of a First Nation. • Include the testing of the First Nation’s implementation of the requirements of its financial administration law and apply to the operational review of a First Nation’s financial management system to determine whether the system is operating in material compliance with the standards.

Financial Performance Standards (“C2”)	<ul style="list-style-type: none"> Establishes standards for a First Nation’s financial performance that demonstrate financial stewardship, fiscal discipline and an ability to support debt
Local Revenue Account Financial Reporting Standards (under development) (“D1”)	<ul style="list-style-type: none"> Standards for financial reporting respecting a First Nation’s local revenue account, including the annual audit. These standards are consistent with the Local Government Reporting Model.

Table 5 – Capacity Development Documents

Name	Description
Sample Financial Administration Law (“A3”)	<ul style="list-style-type: none"> An example of a financial administration law that would satisfy the Financial Administration Law Standards and reflects sound financial management practices
Financial Administration Law - Explanatory Notes (“A4”)	<ul style="list-style-type: none"> Provides assistance on the development of the law by discussing the structure and substantive content of the Sample Law (A3)
Financial Administration Law - Implementation Guide (“A5”)	<ul style="list-style-type: none"> Provides assistance on the development of the law by identifying actions required and sample policies and procedures that would meet the requirements of the standard
Financial Administration Law Self-Assessment (“A6”)	<ul style="list-style-type: none"> Tool that can be utilized to compare existing or proposed financial administration law(s) of the First Nation to the FMB Law Standards
Financial Management System - Implementation Guide (“B3”)	<ul style="list-style-type: none"> Collection of sample policies and procedures that can be used or adopted to meet the System Standards
Financial Management System – Self-Assessment (“B4”)	<ul style="list-style-type: none"> Tool that can be utilized to compare the existing financial management system of the First Nation to the FMB System Standards
Capacity development-self assessment tool	<ul style="list-style-type: none"> Designed to identify organizational capacity in order to implement a financial administration law, but also provide capacity tools to sustain the financial management system supporting it
“FSMA and the FMB Certification Process” course curriculum	<ul style="list-style-type: none"> Online and classroom delivery approach will be used to offer this course through educational institutions and other aboriginal associations
Sample band council resolutions	<ul style="list-style-type: none"> Two resolutions of the council of a First Nation to request the FMB to review <ol style="list-style-type: none"> their financial administration law, and their financial management system

Business Lines

Supporting First Nation Governments

Services to borrowing and non-borrowing First Nations are provided through the *Supporting First Nation Governments* business line. This business line comprises the core work of the FMB and includes financial administration law review, certification, capacity development and co- or third party management as required / requested. First Nations participating in the FSMA borrowing process are required to make use of these services. These services, with possible modifications, will also be made available to non-borrowing First Nations.

Table 6 – What would motivate a First Nation to seek FMB Services?

	No. of First Nations	Why seek FMB services?
Applied to FSMA Schedule ¹	58	• Certification required to borrow
Engaged in Real Property Taxation ²	102	• Confidence in management of property tax regime
First Nations GST Act ³	45	• Confidence in management of sales tax revenue
First Nations Land Management Act ⁴	58	• Confidence in management of revenue generated from lands under the authority of a First Nation land code
First Nations Oil and Gas Monies Management Act	No schedule to this Act	• Financial code for oil and gas monies required
First Nations Commercial and Industrial Development Act	No schedule to this Act	• Confidence in management of revenue raised from commercial and industrial projects
In Canada	More than 600	• Improved fiscal transfer arrangements with Canada

¹ Source: <http://laws-lois.justice.gc.ca/PDF/Statute/F/F-11.67.pdf>

² Source: <http://www.fntc.ca/en/taxing-under-s-83-of-the-indian-act/first-nations-with-s-83-bylaws>

³ Source: <http://laws-lois.justice.gc.ca/PDF/Statute/F/F-11.7.pdf>

⁴ Source: <http://laws-lois.justice.gc.ca/PDF/Statute/F/F-11.8.pdf>

Supporting Other Governments and Organizations

The FMB will also work with other governments and organizations on behalf of First Nations. This could include working to support a debenture issue with other fiscal institutions established by the FSMA, working with the federal government to improve the accountability framework for First Nations, working with other accounting standard organizations such as the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) or working with financial institutions and credit rating agencies regarding the application of general credit rating criteria to First Nations.

Table 7 - Other governments or institutions working with FMB

Other government or organization	Relevance to FMB
First Nations Tax Commission (FNTC)	<ul style="list-style-type: none"> • Interdependent policy related to certification and intervention
First Nations Finance Authority (FNFA)	<ul style="list-style-type: none"> • Interdependent policy related to certification and intervention
First Nations Statistical Institute (FNSI)	<ul style="list-style-type: none"> • Financial data may be inputs for FNSI community profiles that are utilized by rating agencies in credit analysis
Aboriginal Financial Officers Association (AFOA)	<ul style="list-style-type: none"> • Partnered approach to capacity development initiatives
Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants	<ul style="list-style-type: none"> • FMB standards should be consistent with the Common Government Reporting Model (as recommended by the CICA Study Group)
Indian and Northern Affairs Canada (INAC)	<ul style="list-style-type: none"> • First Nation reporting requirements • First Nations risk assessment • INAC co-management and third party management impacts FMB intervention policy
Finance Canada	<ul style="list-style-type: none"> • Interests in improved fiscal framework and confidence in financial management of tax collection agreements
Lands Advisory Board (LAB)	<ul style="list-style-type: none"> • Framework Agreement on Land Management includes financial administration requirements
National Centre for First Nation Governance	<ul style="list-style-type: none"> • FMB standards include sections about organizational structure, roles and responsibilities which are relevant to governance structure
Financial Institutions / Capital Markets	<ul style="list-style-type: none"> • Regulatory regime established by fiscal institutions will address interests of lenders/investors in First Nation bonds

Corporate Services

Corporate Services will include activities that will be carried out internally to provide the operational support and administrative resources to enable the other business lines to carry out objectives in an economical, efficient, and effective manner. These activities include management functions, finance, human resources, information technology and evaluation.

Mapping Activities to Business Lines

The FMB business lines and a number of the contemplated activities for each business line are presented in the figure below:



Figure 6 - Activities by FMB Business Lines

Strategic Issues

The FMB is strategically placed to establish standards that can enable First Nations to develop effective financial management systems. The standards established by the FMB contemplate: administration (including roles and responsibilities of individuals within the system), financial management (including budgeting, expenditure controls, financial reporting and risk management), and capital projects (including life-cycle management and contract and tendering). Implementing a financial management system that meets FMB standards, will enable First Nations to better respond to membership, and other stakeholders questions about their financial capacity and financial performance. These stakeholders want to know that the affairs of the First Nation are conducted using best practice processes, controls, accountability and transparency. First Nations will improve its financial stewardship of assets which lead to improved investor confidence and in turn provide access to borrowing rates on similar terms as other governments in Canada and ultimately support economic development on their lands. In order for investor confidence in FMB certified First Nations to be achieved, it is imperative that the FMB ensure that its standards remain relevant. This means that the FMB must be able to continually adapt to the evolving accountability environment of First Nations and be able to respond to financial management best practices as well as the expectations of investors and rating agencies.

In order for any First Nation to be able to borrow through the FSMA initiative, there will need to be a sufficient number of FMB certified borrowing members to produce a FNFA debenture. Therefore it will be a key strategic issue for the FMB to attract more First Nations to, and support them through, the FMB certification process. In order for the FNFA to be able to issue a debenture in the near future, the FMB will need to develop a robust nationwide, targeted marketing and communications strategy, as well as provide additional capacity development support to First Nations in the certification process.

In response to the demand from First Nations to become borrowing members, and the length of time required for First Nations to fully implement a financial management system compliant with the FMB Financial Management System Standards, the FMB has developed a fast-track route for first time borrowing First Nations. Although this option allows a First Nation to defer the full implementation of their Financial Administration Law before becoming a borrowing member, the First Nation must make a commitment to achieve Financial Management System certification within a prescribed timeframe. It will be a key strategic issue for the FMB to ensure that the First Nations that opt for the new approach actually follow through with their commitment and have their financial management systems certified by the FMB. The FMB will therefore provide the necessary support and monitoring services for these First Nations in order to assist with the achievement of FMS certification, and to preserve the integrity of the FMB standards and the credit quality of the borrowing pool.

Assessment of Previous Year's Results

The 2010/2011 FMB Corporate Plan set out a number of performance measures for each business line. The tables below present the progress made to date for each performance measure by business line.

Supporting First Nation Governments

The Supporting First Nation Governments business line has been active developing standards, sample policies, and tools and templates that will support the delivery of key services to First Nations including law approval, capacity development and certification. The FMB has continued to work with participating First Nations to generate feedback on these documents. The FMB is working with First Nations to develop work plans and build capacity in particular areas of financial management system that are not currently at the standards set by the FMB.

Table 8 - Assessment of 2010 / 2011 Results: Supporting First Nation Governments

Performance Measure	Dec 31 YTD Progress
Outreach and Relationship Building:	
4 presentations to committees, meetings or conferences	Completed
4 workshops sponsored or trade show booths hosted	Completed
55 scheduled First Nations responded to or contacted	Ongoing
40-50 presentations to First Nations	Ongoing
Obtain feedback from First Nations during outreach activities	Completed
15 signed BCR's and letters of cooperation from First Nations	Ongoing
Develop Capacity Development Assessment tool	Completed
First Nation Guide to Intervention	Completed
Roll out test course at an Aboriginal educational institution	Completed
Obtain feedback from 10 students that have completed course	Ongoing
2 Universities committed to offering course	Ongoing
1 completed research project	Completed
Complete communication plan and update website	Ongoing
First Nation FAL Development.	
10-20 First Nations provided funding to initiate a FAL	Ongoing
Publish "frequently asked questions" about FAL's on website	Ongoing
First Nation Financial Management System Development	
Develop a FMS Self-Assessment Tool and guide	Completed
Develop educational and policy development workshop	Ongoing
Publish "frequently asked questions" about FMS's on website	Ongoing

Performance Measure	Dec 31 YTD Progress
2 intervention prevention workshops developed	Ongoing
FAL Approvals:	
100% of FAL review completed within 8 weeks of request	Completed
Certification Services:	
Develop a Certification Review Methodology Policy	Ongoing
Develop and publish a Request for Proposal for certification reviewer services	Ongoing

Supporting Other Governments and Organizations

An extensive body of research has been conducted to inform the development of the FMB Financial Performance Standards. The Supporting Other Governments and Organizations business line has also been active working with the other fiscal institutions, financial institutions and credit rating agencies to seek feedback on FMB standards and intervention policy.

Table 9 - Assessment of 2010 / 2011 Results: Supporting Other Governments and Organizations

Performance Measure	Dec 31 YTD Progress
Liaison and Relationship Building:	
Present to and participate on Funding Agreement Management Committee INAC BC Region	Completed
Establish working group in support of risk assessment re: INAC BC Region Funding Services Officers	Ongoing
Present and establish MOU to determine collaboration with AFOA	Completed
6 FSMA institutional coordination meetings	Completed
Standards Development:	
Develop Local Revenue Account Financial Reporting Standards	Ongoing
Develop Financial Performance Standards	Completed
Develop a S.50(3) "Borrowing Member Qualification Certificate" template	Ongoing
Develop a S.50(2) report template	Ongoing
Policy Development:	
Develop and finalize a certification review methodology, policy, procedures and tools templates	Ongoing

Performance Measure	Dec 31 YTD Progress
Analyze “Other Revenues” regulation and develop any necessary policy and procedures	Completed
Analyze “Treaty & Self-Government First Nation” regulation and develop any necessary policy and procedures	Completed
Legislation:	
Prepare list of legislative amendments to be requested by the FMB	Ongoing
Develop work plan for Legislative Review with INAC and other institutions	Ongoing

Corporate Services

The Corporate Services business line has provided administrative support to the other two business lines.

Table 10 – Assessment of 2009 / 2010 Results: Corporate Services

Performance Measure	Dec 31 YTD Progress
Corporate Services:	
Implement Xerox Docushare access to Board of Directors and office wide	Completed
Annual General Meeting	Completed
Board Strategic Planning Session	Completed
4 Board Meetings	Completed
16 Board Committee meetings	Completed
Annual Corporate Plan	Completed
Annual Report	Completed
Establish terms of reference and preliminary preparation for legislative review	Ongoing
2 newsletter published	Ongoing
Monthly and quarterly financial statements produced	Completed
Implement application of Information Management policy consistent with ATIP	Completed
Implement IT security plan as per outsourced security review	Ongoing
Enable portal access for Board and staff and implement secure file sharing via website	Completed

Analysis of External Environment

The FMB Board of Directors held a strategic planning session in November 2010. A number of external environment strategic issues were identified and are included in the table below.

Table 11 - External environment strategic issues

Strategic Issue	Description	Action
Engaging First Nations	Addressing the perception that FMB standards are too prescriptive	<ul style="list-style-type: none"> • Develop marketing and communications strategy to dispel misperceptions • Respond to First Nation requests for presentations and materials on FMB products and services including: self-assessments, sample FAL, and sample policies • Validate that FMB standards are best practice
	Inability of First Nations to achieve system certification within the timeframe specified in the Financial Performance Standards	<ul style="list-style-type: none"> • Develop tools to assist First Nations in the creation of a work plan that will help First Nations to implement their financial administration laws and achieve Financial Management System certification
	Lack of capacity and resources to address financial management challenges	<ul style="list-style-type: none"> • Respond to First Nation needs for financial management capacity development by providing a funding assistance program, and continue to work with institutions and organizations in developing new capacities required for financial administration.
	Responding to the changes in demand for services and emerging issues for First Nations	<ul style="list-style-type: none"> • Ensuring FMB core documents respond to the various financial management needs of First Nations. • Support new initiative research & development of First Nation emerging issues.
	Lack of understanding of Financial Management System certification	<ul style="list-style-type: none"> • Ensure FMB products and presentation materials are readily available on FMB website. • Develop workshops that respond to the participants needs.

Strategic Issue	Description	Action
Intervention	Engaging a third party to provide intervention services on behalf of the FMB	<ul style="list-style-type: none"> • Develop workshop and materials targeted to intervention service providers. • Understand qualifications of “interveners” • Establish list of qualified intervention service providers. • Prepare “playbooks or checklists” for various intervention scenarios and the required templates or documents for each scenario.
Strategic business opportunities - risk assessment for federal transfers	First Nation recipients of INAC funding are now required to go through a risk based General Assessment that includes a financial assessment.	<ul style="list-style-type: none"> • FMB to continue discussions and development of a protocol with INAC regarding the use of FMB standards as a proxy in assessing risk in funding arrangements with First Nations
Capacity Development	Capacity development at a First Nation level not just to implement but to sustain efficient and effective financial management	<ul style="list-style-type: none"> • Develop a longer-term capacity development plan outside of its ongoing operational requirements • Seek specific funding for rolling out a capacity development plan separate from ongoing operational funding.
FSMA legislative review	Part 8 of the FSMA requires that within seven years after the day on which this Act receives Royal Assent, the Minister shall review the provisions and operation of this Act and the operations of the institutions	<ul style="list-style-type: none"> • FMB must understand both the legislative requirement of the review and Treasury Board evaluation requirements that are built into the design of the review material to be submitted • Provide for resources to be able to respond to the legislative review requirements.

Assessment of Corporate Resources

The table below summarizes corporate strengths and weaknesses:

Table 12 -Assessment of Corporate resources

Strengths	Risks
<ul style="list-style-type: none"> • Credibility momentum with outside stakeholders • Standards and relevance of standards • Strong leadership; proactive Board • Partnership with AFOA • Legislative mandate is broad: able to evolve • Flexibility of products provides options for others • Competent staff with diverse and complementary set of backgrounds • Inroads made with Government (fiscal transfers; default management; capacity development) • Access to consulting expertise • Stronger relationship with sister institutions 	<ul style="list-style-type: none"> • Economically dependent on INAC funding • FMB established by legislation that can be repealed • Dependent on value for money evaluation • Not part of mainstream INAC thinking • Sustaining Capacity Development at First Nation level • Perception as a regional focused and property tax based. • Governance model flawed (Liability issues; succession planning etc)

Objectives, Strategies & Performance Measures

The objective of the FMB is to provide tools and services to First Nations that will enable them to exercise greater control over their economic future and maximize the benefits of the *FSMA* and other self-government initiatives aimed at supporting economic development. More specifically, the services offered by the FMB are meant to achieve the following objectives:

- Increase First Nation access to lower cost of capital through market accepted standards and certification processes.
- Strengthen First Nation financial administration by promoting sound, stable, and transparent financial stewardship of First Nation assets.
- Promote financial relationships between First Nations and other governments that are appropriate, effective, efficient, and mutually beneficial.
- Respond to private sector requirements for investment on First Nation lands

The FMB has three business lines to achieve these objectives. The business lines and the objectives for each are presented in the table below.

Table 13 - FMB Business Lines and Objectives

Business Line	Objectives
Supporting First Nation governments	<ul style="list-style-type: none"> • Increase First Nation access to capital through FMB Standards and Certification. • Strengthen First Nation financial management by promoting sound, stable, and transparent First Nation financial management systems
Supporting other governments and organizations	<ul style="list-style-type: none"> • Promote financial relationships between First Nations and other governments, institutions and organizations that are appropriate, effective, efficient, and mutually beneficial. • Respond to private investor requirements for investment on First Nation lands.
Corporate Services	<ul style="list-style-type: none"> • Provide the administrative resources and facilities to enable the other business lines to operate effectively

Supporting First Nation Governments

The FMB will provide services to borrowing and non-borrowing First Nations through the Supporting First Nation Governments business line. In 2011/12, the Supporting First Nation Governments business line will:

Table 14 - Supporting First Nation Governments strategies and performance measures

Business Line	Strategy	Performance Measure
Supporting FN Governments	<ul style="list-style-type: none"> • Respond to First Nation requests for presentations and materials on FMB products and services including: standards, capacity development tools, procedures and policies, and self-assessments • Obtain feedback from participating First Nations on standards, tools and templates • Revise standards, tools and templates as necessary • Deliver advisory services to First Nations developing financial administration and respond to questions about FMB standards • Review and provide compliance reports on First Nation financial administration laws submitted to the FMB for comparison to FMB standards • Conduct comparative analysis on existing First Nation financial management systems to assist in the creation of work plans that will enable the First Nation to work towards certification • Develop a capacity development solution targeted to individual First Nations with an aim to move First Nations forward in the FMB certification process • Develop and launch a new marketing and communications strategy • Develop list of qualified reviewers and training program for reviewers • Finalize Local Revenue Account Financial Reporting Standards 	<ul style="list-style-type: none"> • 20 presentations to First Nations • 20 First Nations in FAL development • 20 First Nation financial management systems in development • 20 First Nations with FMB Financial Performance Certificate • 1 First Nation with FMB Financial Management System Certificate • Develop work plan and monitoring tool for First Nations that are required to achieve FMS certification within the 3 year timeframe • Comprehensive workshop developed with ability to tailor to individual First Nations • 5 workshops hosted on FMB product and services • 1 online course fully implemented

Supporting Other Governments and Organizations

The FMB will work with other governments and organizations – this may include other fiscal institutions, other First Nations institutions and the federal government. In 2011/12, the Supporting Other Governments and Organizations business line will:

Table 15 - Supporting Other Governments and Organizations strategies and performance measures

Business Line	Strategy	Performance Measure
Supporting other governments and organizations	<ul style="list-style-type: none"> • Continue to obtain feedback from FNFA, FNTC and FNSI on FMB standards • Obtain feedback from financial institutions and credit rating agencies on FMB standards • Work with First Nations Finance Authority to continue development of “Other” Revenues regulation and responsibilities of FMB under this approach • Continue to work with Lands Advisory Board and National Centre on First Nations Governance • Continue to work with the AFOA and other institutions for the development and delivery of capacity development curriculum • Develop research project work plans to support standards and policy development • FMB to continue discussions with INAC regarding the use of FMB standards in assessing risk in funding arrangements with First Nations. • Work with other institutions and INAC to develop framework for legislative review 	<ul style="list-style-type: none"> • 3 FMB research project work plans • 1 master protocol agreement completed with INAC relating to intervention, financial assessment and capacity development. • 4 institutional coordination sessions • Host 2 information sessions with groups involved with First Nation financial management (i.e. audit firms, financial institutions, INAC) • Legislative review terms of reference and preparation

Corporate Services

The Corporate Services business line will include activities that will be carried out internally to support the operations of the FMB. These include management functions, finance, human resources, information technology and evaluation. In 2011/12, the Corporate Services business line will:

Table 16 - Corporate Services strategies and performance measures

Business Line	Strategy	Performance Measure
Corporate Services	<ul style="list-style-type: none"> • Provide administrative support and reception services • Provide administrative support for Board of Directors and Committee meetings • Provide administrative support for management meetings • Develop and implement administrative policies • Deliver human resource management services including recruiting, training, compensation and benefits, performance management and succession planning. • Provide information and technology services • Update FMB website • Procure and maintain facilities and equipment • Fulfill evaluation, reporting and performance measurement requirements 	<ul style="list-style-type: none"> • Annual corporate plan produced • Annual report produced • Annual general meeting held • Board strategic planning session • 4 board meetings • 16 committee meetings • Complete update of Board Manual • Information and records management system training and implementation completed. • Website update • 2 Newsletters produced

Financial Plan

The table below shows the financial plan of the First Nations Financial Management Board by activity.

Table 17 - Financial plan

Activity	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Salary & Benefits	\$1,282,395	\$1,395,410	\$1,579,719	\$1,679,710	\$1,691,316
Client Service Delivery	748,000	890,350	925,680	1,085,510	1,230,603
Policy Development	780,000	680,580	540,500	540,115	490,200
Operations & Management	651,357	672,193	675,380	690,280	705,900
Board of Director Fee & Expense	490,600	475,380	485,380	485,380	485,380
Travel	160,200	180,145	190,150	190,150	190,150
Capital	80,000	70,000	70,000	90,000	90,000
Total	\$4,192,552	\$4,364,058	\$4,466,809	\$4,761,145	\$4,883,549

Number of Employees

The table below outlines the number of employees.

Table 18 - Number of employees

Activity	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Number of employees	10	11	13	14*	14*

* Increase in headcount reflects staff required to maintain an auxiliary office.

Appendix A: Summary of Performance Measures

Table 19 – Summary Strategies and Performance Measures

Business Line	Strategy	Performance Measure
Supporting FN Governments	<ul style="list-style-type: none"> • Respond to First Nation requests for presentations and materials on FMB products and services including: standards, capacity development tools, procedures and policies, and self-assessments • Obtain feedback from participating First Nations on standards, tools and templates • Revise standards, tools and templates as necessary • Deliver advisory services to First Nations developing financial administration and respond to questions about FMB standards • Review and provide compliance reports on First Nation financial administration laws submitted to the FMB for comparison to FMB standards • Conduct comparative analysis on existing First Nation financial management systems to assist in the creation of work plans that will enable the First Nation to work towards certification • Develop a capacity development solution targeted to individual First Nations with an aim to move First Nations forward in the FMB certification process • Develop and launch a new marketing and communications strategy • Develop list of qualified reviewers and training program for reviewers • Finalize Local Revenue Account Financial Reporting Standards 	<ul style="list-style-type: none"> • 20 presentations to First Nations • 20 First Nations in FAL development • 20 First Nation financial management systems in development • 20 First Nations with FMB Financial Performance Certificate • 1 First Nation with FMB Financial Management System Certificate • Develop work plan and monitoring tool for First Nations that are required to achieve FMS certification within the 3 year timeframe • Comprehensive workshop developed with ability to tailor to individual First Nations • 5 workshops hosted on FMB product and services • 1 online course fully implemented

Business Line	Strategy	Performance Measure
<p>Supporting other governments and organizations</p>	<ul style="list-style-type: none"> • Continue to obtain feedback from FNFA, FNTC and FNSI on FMB standards • Obtain feedback from financial institutions and credit rating agencies on FMB standards • Work with First Nations Finance Authority to continue development of “Other” Revenues regulation and responsibilities of FMB under this approach • Continue to work with Lands Advisory Board and National Centre on First Nations Governance • Continue to work with the AFOA and other institutions for the development and delivery of capacity development curriculum • Develop research project work plans to support standards and policy development • FMB to continue discussions with INAC regarding the use of FMB standards in assessing risk in funding arrangements with First Nations. • Work with other institutions and INAC to develop framework for legislative review 	<ul style="list-style-type: none"> • 3 FMB research project work plans • 1 master protocol agreement completed with INAC relating to intervention, financial assessment and capacity development. • 4 institutional coordination sessions • Host 2 information sessions with groups involved with First Nation financial management (i.e. audit firms, financial institutions, INAC) • Legislative review terms of reference and preparation
<p>Corporate Services</p>	<ul style="list-style-type: none"> • Provide administrative support and reception services • Provide administrative support for Board of Directors and Committee meetings • Provide administrative support for management meetings • Develop and implement administrative policies • Deliver human resource management services including recruiting, training, compensation and benefits, performance management and succession planning. • Provide information and technology services • Update FMB website • Procure and maintain facilities and equipment • Fulfill evaluation, reporting and performance measurement requirements 	<ul style="list-style-type: none"> • Annual corporate plan produced • Annual report produced • Annual general meeting held • Board strategic planning session • 4 board meetings • 16 committee meetings • Complete update of Board Manual • Information and records management system training and implementation completed. • Website update • 2 Newsletters produced

