



First Nations
**FINANCIAL
MANAGEMENT
BOARD**

**LE CONSEIL
DE GESTION
FINANCIÈRE** des
Premières Nations

FMB STANDARDS

Summary of Proposed Changes and Invitation to Comment

Standards and Certification
First Nations Financial Management Board
Approved: December 14, 2018

Comments to the FMB must be received by March 1, 2019
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Executive Summary

Under the *First Nations Fiscal Management Act* (“the FMA” or “the Act”), the First Nations Financial Management Board (“the FMB”) is responsible for setting standards for First Nation governments in areas of Financial Administration Law, Financial Performance, Financial Management System and Local Revenue Financial Reporting. These Standards and their related Procedures, collectively called the FMB Core Documents, set the foundation under which the FMB grants Compliance Approvals for Financial Administration Laws, issues Financial Performance Certificates and issues Financial Management System Certificates.

The FMB is committed to being responsive to the needs of First Nation governments and other First Nations Institutions. In the context of setting and developing standards, this means listening to First Nation governments and understanding their first-hand experience working with and applying our standards. The FMB tracks feedback received from clients, stakeholders, staff and other First Nations Institutions on the implementation challenges, effectiveness and relevance of its Standards. The FMB depends on this feedback to ensure that the Standards continue to meet the needs of First Nation governments and other First Nations Institutions.



The FMB has recently identified a need to update several of its Core Documents based on this collected feedback.

The majority of the changes being proposed impact the Financial Administration Law Standards (“FAL Standards”) and the Financial Management System Standards (“FMS Standards”). These two sets of Standards are linked through the fact that the FAL Standards provide a foundation for the Financial Administration Law of a First Nation, while the FMS Standards provide a basis for testing the implementation of elements of that same Financial Administration Law. Consequently, updates to one set of Standards require updates to the other set. The FAL Standards and FMS Standards were last updated over two years ago, on April 1, 2016 when amendments were made to align the Standards with recent changes to the FMA. Since that time the FMB has gained considerable experience from the review of Financial Administration Laws, testing of financial management systems and providing capacity development services to its clients. The changes proposed in this document are the result of this feedback

The FMB seeks stakeholder input prior to introducing or significantly amending its Standards. This input is critical in developing standards that are relevant to First Nation governments and responsive to their needs. The FMB welcomes comments on all aspects of these proposals, including any additional suggested changes. **Comments on the proposals are requested by March 1, 2019.**

The FMB expects to issue the new suite of FMB Core Documents in the summer of 2019. **The proposed effective date for these new Standards is April 1, 2020, with earlier voluntary adoption permitted.** The FMB is seeking comment on this timeline.

Table 1 that follows summarizes the proposals, including a brief description of each.

Table 1 - Summary of Proposed Changes

#	Type of Change	Topic	Description
1.1	New requirement	Annual Report	Introduce a new requirement in the FAL and FMS Standards for the Annual Report to incorporate reporting on social and economic objectives. The requirements will not be prescriptive about the content required and it will be up to First Nation governments to determine what this reporting will look like to best suit the needs of their own communities.
1.2	Change to requirement	Annual Report	Amend the FAL and FMS Standards to permit the annual audited financial statements and special purpose reports, as applicable, to be incorporated by reference into the Annual Report such that these documents are still published separately and made available to members at the same time as the Annual Report. They will no longer be required to be physically included in the Annual Report. The existing requirements around preparation of annual audited financial statements, Annual Report and special purpose reports are not impacted by this change.
1.3	Elimination of requirement	Annual Report	Eliminate the requirement in the FAL and FMS Standards to provide the Annual Report to the FMB. First Nation governments pursuing FMS Certification will still be requested to provide a copy of their Annual Report to the FMB as part of the FMS review process, however this falls under the FMS Certification Procedures. Note that there is no change to the requirement under a FAL that First Nation governments prepare an annual report.
2.1	Elimination of requirement	Monthly Financial Reporting	Amend the requirement in the FAL and FMS Standards to make monthly financial information available to Council and the Finance and Audit Committee only upon request. There is no change to the requirement to produce the monthly financial information, but will be up to the First Nation government to choose who receives monthly financial reports.
3.1	Change to requirement	Other Annual Financial Reports	Amend the FAL and FMS Standards to give First Nation governments the flexibility to choose their preferred level of assurance over any required special purpose reports to best meet their own accountability needs. The level of assurance required will no longer be prescribed in the Standards. The change will not create a new reporting requirement for First Nation governments. With the amendment, the special purpose reporting requirements continue to exist, however, the auditor's involvement can be decreased or increased, according to the preference of Council.
3.2	Change to requirement	Other Annual Financial Reports	Create a new FAL Standard that gives First Nation governments the flexibility to develop a FAL that permits for the preparation of special purpose non-GAAP financial reports. This change will not impact the existing financial reporting requirements for First Nation governments to prepare annual general purpose financial statements prepared in accordance with GAAP, but rather clarifies that additional or supplemental non-GAAP special purpose financial statements are permitted by a FAL.
4.1	New requirement	Strategic Planning	Introduce a new FAL Standard that requires a strategic plan to be developed and periodically updated with direct input from community members. This amendment will not impact First Nation governments who are pursuing FMS Certification as strategic planning is already one of the requirements. In addition, First Nation governments who have adopted FMB's sample FAL will be minimally impacted as the existing Sample FAL already includes provisions for creating and updating a strategic plan.

Summary of Changes and Invitation to Comment

#	Type of Change	Topic	Description
5.1	Change to requirement	Policies and Procedures	Amend the FAL and FMS Standards to allow Council to delegate the development of procedures to the senior manager, while keeping the approval of the policy a responsibility of Council. The amended Standards will still provide the option for Councils who wish to review a final draft and provide final approval. The amendment will also allow Council to provide the senior manager with the authority to amend procedures as necessary to comply with its policies.
5.2	Change to requirement	Policies and Procedures	Ease some of the requirements in the FAL Standards that require a First Nation government to establish procedures directly in the FAL. The change will increase flexibility to allow this content to be contained within a policy rather than the FAL itself. There is no change to the requirement that policies and procedures in these areas be established.
5.3	Eliminate requirement	Policies and Procedures	Remove the requirements for operations manuals from the FAL and FMS Standards. It is expected that an operations manual would be equivalent to the collection of documented policies and procedures, which are already required under the Standards.
6.1	New requirement	Financial Institution Account Reconciliations	Create a new requirement for the independent review of financial institution account reconciliations in the FMS Standards. This additional step will help ensure that these reconciliations are performed on a timely basis and that any irregularities are acted upon and resolved. First Nation governments who have adopted the FMB's sample policies will not be impacted by this change, as it is already a requirement within the sample policies.
7.1	New requirement	Human Resource Management	Incorporate a requirement to establish performance measures, incentives or rewards into the FAL and FMS Standards. The new Standard will not be prescriptive and it will be up to First Nation governments to determine the best mix of performance measures, incentives or rewards, if any, to suit their needs to support the achievement of the First Nation's objectives.
7.2	Change to requirement	Human Resource Management	Incorporate employee evaluations into the FAL Standards and to establish a connection between performance expectations and evaluations. The amendment will not change the existing requirement to establish an employee evaluation process, but rather clarifies that the evaluation should be based on expected levels of performance.
8.1	Eliminate requirement	Risk Management	Eliminate the detailed listing of fraud risks from the FMS Standards and make this information available in a separate guidance document. This amendment will not change the requirement for First Nation governments to consider and identify potential fraud risks.
8.2	Eliminate requirement	Risk Management	Eliminate some of the prescriptive requirements of the FMS Standards around reporting financial misconduct. This change will also be consistent with the wording in the FAL Standards, which is a more general statement. This proposal will not impact the requirement to report financial misconduct.
8.3	Eliminate requirement	Risk Management	Eliminate duplication that exists in the FMS Standards around ensuring qualified individuals are engaged in the financial management system of the First Nation. This proposal will not impact the risk management activities required to be carried out by the First Nation government.
9.1	Eliminate requirement	Investment Management	Remove the limitations in the FAL and FMS Standards around investment of other revenues and encourage Council to create their own investment strategy and decide which types of investments are appropriate to meet their desired investment outcomes.

Summary of Changes and Invitation to Comment

#	Type of Change	Topic	Description
10.1	Eliminate requirement	Tangible Capital Assets	Remove some of the more prescriptive requirements around tangible capital asset life-cycle planning from the FAL Standards. Council will have the flexibility to reflect additional requirements within their policies instead. The Sample FAL will continue to include these items for First Nation governments who wish to adopt all of the recommendations.
11.1	New requirement	Conflicts of Interest	Incorporate a new requirement for a policy and procedures to be established for disclosure by councillors of any circumstances which could result in a conflict of interest in order to eliminate a gap in the FAL Standards. Note that the requirement for councillors to disclose potential conflicts of interest already exists in the FAL Standards and the Sample FAL and is not impacted by this change. The amendment will not impact the requirement to make these disclosures, but only to create a procedure for these disclosures.
11.2	New requirement	Conflicts of Interest	Introduce a new requirement in the FAL and FMS Standards for positive confirmation as part of the annual compliance declaration process. This creates a new requirement for councillors, officers, employees, committee members, contractors and agents to annually disclose potential conflicts of interest or to declare that they do not have any conflicts of interest. The Standards will continue to require disclosure of potential conflicts as they arise.
12.1	Eliminate requirement	Financial Administration Law	Eliminate the requirement in the FAL Standards for a First Nation government to provide the FAL to the FNFA and simply require the FAL to be made available, which is covered by the publication on the FMB's website and in the First Nations Gazette.
13.1	Eliminate requirement	Compliance with Other Legislation	Eliminate references in the FAL and FMS Standards to comply with other legislation outside of the FMA. The amendment removes all references to these acts from the Standards and takes into account existing accounting standards for presentation and disclosure. The amendment will not impact the requirement that the First Nation government comply with other applicable laws.
14.1	Change to requirement	Financial Management System Certification	Create an exemption in the FMS Standards for First Nation governments seeking their first FMS Certificate from the FMS self-assessment requirements. The self-assessment requirements will only be applicable for First Nation governments who already have an FMS Certificate from the FMB. Annual self-assessments are part of the continuous improvement process for First Nation governments who want to ensure their financial management systems continue to operate effectively.
14.2	Eliminate requirement	Financial Management System Certification	Eliminate the expiry date for an FMS Certificate from the FMS Standards. FMS Certificates are issued at a point in time and do not expire. There will be no impact on existing FMS Certificate holders as the FMS Certificates themselves do not state an expiry date. The FMB still encourages any FMS Certificate holder to request a new FMS Certification review, according to their needs and at Council's discretion, to demonstrate that the system is still in place.
14.3	Change to requirement	Financial Management System Certification	Amend the 'Periodic Reviews' section of the FMS Certification Procedures to allow Council the option of requesting a post-certification informal review of its financial management system by the FMB. While the FMB will issue a report to Council on the results of its informal review, this report will not constitute a new FMS Certificate. The amendment will not impact existing FMS Certificate holders, as the FMB does not currently conduct any periodic reviews as stated in the existing FMS Certification Procedures unless requested by Council.

#	Type of Change	Topic	Description
15.1	Eliminate requirement	Financial Performance Certification	Remove the requirement in the FP Standards that the First Nation government's FAL must be updated to meet the current set of FAL Standards that exist when a FP Certificate is requested. The First Nation government will be expected to update its FAL as it works towards achieving an FMS Certificate.
15.2	New requirement	Financial Performance Certification	Align of the minimum FAL provisions required for FP Certification with the new requirements for 10-year grants so that a First Nation government enacting a FAL for an FP Certificate will not have to amend their FAL in order to be eligible for a 10-year grant. This change will only impact First Nation governments enacting a new FAL or seeking new FP Certification from the FMB. This change will not impact existing FP Certificate holders. First Nation governments applying for the 10-year grants will have to bring these provisions into force as part of the eligibility requirements for the grants.
16.1	New requirement	Local Revenue	Introduce a new requirement in the Local Revenue Financial Reporting Standards to require the First Nation government to include in the note disclosures of their local revenue financial statements a description or breakdown of any contingency expenditures made during the period. This is to ensure that readers can understand the reasons for and nature of any contingency expenditures made from local revenues.
16.2	Change to requirement	Local Revenue	Amend the FP Standards to clarify that the calculation of the Local Revenue Collection Ratio also applies to a First Nation government levying local revenue or property taxes under the <i>Indian Act</i> prior to the First Nation government being Scheduled to the FMA. The change will not have an impact on how the FMB currently calculates the Local Revenue Collection Ratio but will clarify that the calculation of the ratio will incorporate any property taxes that were levied under the <i>Indian Act</i> prior to the First Nation government being Scheduled to the FMA.
16.3	Change to requirement	Local Revenue	Introduce flexibility in the FAL and FMS Standards to allow the tax administrator to report directly to Council, if this is a requirement of the First Nation government's property taxation laws.

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First Nations First

Every First Nation has a past to preserve, a future to secure—a future filled with promise, where children thrive, communities grow and cultures prosper. The FMB exists to partner with First Nation governments in their pursuit of economic and social well-being. We provide First Nation governments with support and guidance to put sound, financial management systems in place. This opens the door for First Nation governments to borrow money on fair terms—money that gives them the freedom to pursue their own priorities, and secure their own futures.



Standards for First Nation Governments

Under the *First Nations Fiscal Management Act* the FMB is responsible for setting standards and procedures for First Nation governments on areas of Financial Administration Law, Financial Performance, Financial Management System and Local Revenue Account Financial Reporting. The FMB has developed a set of standards designed specifically for First Nation governments – the first of their kind in Canada and the world. These standards are intended to allow First Nation governments to access best practices in the areas of financial management. Upon request, the FMB will independently evaluate and certify that a First Nation government has met these standards.



The FMB's collection of standards consist of:

- ✓ Financial Administration Law Standards
Standards to guide in the development of a Financial Administration Law
- ✓ Financial Management System Standards
Standards, that when met, allow a First Nation government to receive a Financial Management System Certificate
- ✓ Financial Performance Standards
Standards, that when met, allow a First Nation government to receive a Financial Performance Certificate
- ✓ Local Revenue Financial Reporting Standards
Standards to assist in the preparation of separate local revenue financial statements

Standard Setting

The FMB is committed to being responsive to the needs of First Nation governments. In the context of setting and developing standards, this means listening to First Nation governments and understanding their first-hand experience working with and applying our Standards.



To guide our efforts in this area, the FMB has published its own Standard Setting Guidelines. These Guidelines (available on our [website](#)) describe how the FMB will remain transparent in its standard setting activities and how First Nation governments and other stakeholders can participate in this process. The FMB depends on receiving feedback from users of its Standards to ensure that they remain relevant and continue to meet the needs of First Nation governments.

This summary of proposed changes and invitation to comment document is intended to fulfill the commitments of transparency and responsiveness contained in our Standard Setting Guidelines.

Proposed changes to the FMB Core Documents

The FMB is proposing to amend its collection of Standards and Procedures (referred to as its “Core Documents”). The Core Documents that would be impacted by the changes being proposed are:

- A1 – FINANCIAL ADMINISTRATION LAW REVIEW PROCEDURES
- A2 – FINANCIAL ADMINISTRATION LAW STANDARDS
- A3 – SAMPLE FINANCIAL ADMINISTRATION LAW – NO LOCAL REVENUE
- A3 – SAMPLE FINANCIAL ADMINISTRATION LAW – WITH LOCAL REVENUE
- A4 – SAMPLE FINANCIAL ADMINISTRATION LAW EXPLANATORY NOTES
- B1 – FINANCIAL MANAGEMENT SYSTEM CERTIFICATION PROCEDURES
- B2 – FINANCIAL MANAGEMENT SYSTEM STANDARDS
- C1 – FINANCIAL PERFORMANCE CERTIFICATION PROCEDURES
- C2 – FINANCIAL PERFORMANCE STANDARDS
- D1 – LOCAL REVENUE FINANCIAL REPORTING STANDARDS
- D2 – LOCAL REVENUE FINANCIAL REPORTING - ILLUSTRATIVE FINANCIAL STATEMENTS
- D2 – LOCAL REVENUE FINANCIAL REPORTING - ILLUSTRATIVE SEGMENT NOTE DISCLOSURE
- D4 – LOCAL REVENUE FINANCIAL REPORTING - EXPLANATORY NOTES

The majority of the changes being proposed impact the FAL Standards and the FMS Standards. These two sets of Standards are linked through the fact that the FAL Standards provide a foundation for the Financial Administration Law of a First Nation government, while the FMS

Standards provide a basis for testing the implementation of elements of that same Financial Administration Law. Consequently, updates to one set of Standards require updates to the other set.

The FAL Standards and FMS Standards were last updated over two years ago, on April 1, 2016 when amendments were made to align the Standards with recent changes to the FMA. Since that time the FMB has gained considerable experience from the review of Financial Administration Laws, testing of financial management systems and providing capacity development services to its clients.

To ensure that FMB's Standards remain relevant and responsive to the needs of First Nation governments, it is important that they be reviewed and updated as necessary. For further reading, a history of the development of the FMB's Standards can be found on our [website](#).

Since the initial publication of the first suite of FMB Standards in 2010, the FMB has issued 164 Financial Administration Law compliance approvals, 128 Financial Performance Certificates and 16 Financial Management System Certificates to First Nations across the country. The proposed changes contained in this document build on the experience of this work.

The FMB is committed to being responsive to the needs of First Nation governments and other First Nations Institutions. In the context of setting and developing standards, this means listening to First Nation governments and understanding their first-hand experience working with and applying our standards. The FMB tracks feedback received from clients, stakeholders, staff and other First Nations Institutions on the implementation challenges, effectiveness and relevance of its Standards. The FMB depends on this feedback to ensure that the Standards continue to meet the needs of First Nation governments and other First Nations Institutions. The changes proposed in this document are the result of this feedback.

Review methodology

The feedback collected from clients, stakeholders, staff and other First Nations Institutions was analyzed by FMB's staff to determine whether a change to the Core Documents was necessary. In accordance with the FMB's Standards Setting Guidelines, changes to the Standards were only considered in instances where they align with the FMB's core principles for Standards of relevance, neutrality, understandability, measurability and achievability. When a change was considered warranted, the analysis considered the impact of the proposed change on other Core Documents, FMB's current and prospective clients, other First Nations Institutions and other stakeholder, as necessary. Where a change would impact another First Nations Institution, such as the First Nations Finance Authority, FMB staff consulted with the other institution and requested their feedback on the proposed amendment. The FMB also involved its legal and professional advisors, where appropriate.

Details of proposed changes

The amendments being proposed to the FMB's Core Documents are varied in their nature and scope. The FMB is exposing these amendments in one document even though many of the amendments are unrelated and independent of each other. By exposing all of the proposed improvements in one document it is hoped that this will make it easier for readers to navigate and review. Generally, the proposed amendments in this document represent a proposed new principle

or a change to an existing principle. Less substantive proposed changes, such as those that are editorial and do not alter an existing principle or propose a new one, are summarised in Appendix A.

The pages that follow contain detailed explanations of the proposed changes to the FMB Core Documents and are organized by topic.

Following the release of this Exposure Draft document, redline versions of individual Core Documents will be published and made available for review and comment. These redline documents will display the actual proposed changes to Standards and Procedures without any of the explanations or commentary which is contained in this document.

1.0 Annual Report

1.1 Reporting on social and economic objectives in the Annual Report

Annual reporting is evolving beyond a presentation of financial results. First Nation communities are setting their short- and long-term social and economic goals and members expect Council to be held accountable to these objectives. By incorporating the requirement to report on these goals within the Annual Report, members can track the progress made towards these objectives. The existing Standards do not contain any requirements for annual reporting on planned outcomes.

What is changing and how will it impact First Nation governments?

The amendments propose to introduce a requirement for the Annual Report to incorporate reporting on social and economic objectives, but will not be prescriptive about the actual content required. It will be up to First Nation governments to determine what this reporting will look like to best suit the needs of their own communities. This is a new requirement in the Standards.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards and the FMS Standards, but there will also be consequential amendments to the Sample FALs and the FAL Explanatory Notes.

What do the current Standards say?

The example below shows the wording from the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

20.3 Content of report – A FAL requires the annual report of the first nation to include the following:

- a. a description of the services and operations of the first nation;
- b. a progress report on any established financial objectives and performance measures of the first nation; [...]

What will the new Standards say?

20.3 Content of report – A FAL requires the annual report of the first nation

- a. to include ~~the following~~
 - i. a description of the services and operations of the first nation; **and**
 - ii. a progress report on any established **social and economic** objectives and performance measures **and outcomes** of the first nation; **and** [...]

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed change to require First Nation governments to begin reporting on planned social and economic objectives in their annual report?

1.2 Publication of financial reports in the Annual Report

Presently the Annual Report of a First Nation government must contain both the annual audited financial statements and any other annual financial reports that may be required by the Standards. The objective of this requirement is to reinforce accountability by ensuring that members receive all of the reports. However, in practice the FMB has been informed that the inclusion of the annual audited financial statements and the special purpose reports within the Annual Report adds a significant cost when printing the Annual Report for wide distribution to members.

What is changing and how will it impact First Nation governments?

The proposal is to amend the Standards to permit the annual audited financial statements and special purpose reports, as applicable, to be incorporated by reference into the Annual Report such that these documents are still published separately (electronically and/or in print) and made available to members at the same time as the Annual Report. They will no longer be required to be physically included in the Annual Report. This change would allow a First Nation to make these documents available to stakeholders separately and/or in different formats. The existing requirements around preparation of annual audited financial statements, Annual Report and special purpose reports are not impacted by this proposal.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards and the FMS Standards, but there will also be consequential amendments to the Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below shows the wording from the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

20.3 Content of report – A FAL requires the annual report of the first nation to include the following:

- a. a description of the services and operations of the first nation;
- b. a progress report on any established financial objectives and performance measures of the first nation;
- c. all audited annual financial statements of the first nation for the previous fiscal year;
- d. the special purpose reports referred to in standard 18.6.

What will the new Standards say?

Note that some of the changes illustrated below form part of a separate proposal. See also section 1.1 above.

- 20.3 Content of report** – A FAL requires the annual report of the first nation
- a. to include ~~the following~~
 - i. a description of the services and operations of the first nation; **and**
 - ii. a progress report on any established **social and economic** objectives and performance measures **and outcomes** of the first nation; **and**
 - b. **to include or to incorporate by reference**
 - i. all audited annual financial statements of the first nation for the previous fiscal year; **and**
 - ii. the special purpose reports referred to in standard 18.6.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed change to permit the audited annual financial statements and other financial reports required by a FAL to be incorporated by reference within the Annual Report?

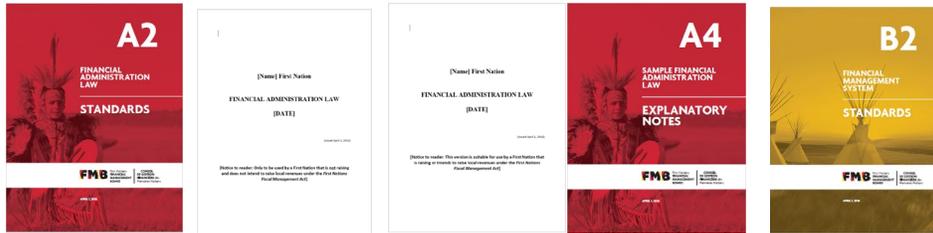
1.3 Provision of the Annual Report to the FMB

Presently the Standards require that a First Nation government deliver a copy of their Annual Report to the FMB if the First Nation government has a certificate issued by the FMB. This is unnecessary as the FMB does not make use of these annual reports following a certification except in circumstances where a First Nation government is pursuing FMS Certification. Further, annual reports are often made available online on the First Nation government's website or using other online resources like the First Nations Gazette.

What is changing and how will it impact First Nation governments?

The proposed amendments eliminate the requirement to provide the Annual Report to the FMB from the Standards. First Nation governments pursuing FMS Certification will still be requested to provide a copy of their Annual Report to the FMB as part of the FMS review process, however this falls under the FMS Certification Procedures and not the FAL or FMS Standards. Note that there is no change to the requirement for First Nation governments to

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards and the FMS Standards, but there will also be consequential amendments to the Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below shows the wording from the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

- 20.4 Provision of report** – A FAL requires the annual report of the first nation to be provided
- to members of the first nation on request,
 - to the Board if the first nation has a certificate issued by the Board under section 50(3) of the Act, and
 - to the First Nations Finance Authority if the first nation is a borrowing member.

What will the new Standards say?

- 20.4 Provision of report** – A FAL requires the annual report of the first nation to be provided
- to members of the first nation on request, **and**
 - ~~to the Board if the first nation has a certificate issued by the Board under section 50(3) of the Act, and~~
 - to the First Nations Finance Authority if the first nation is a borrowing member.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed change to no longer require that the Annual Report be made available to the FMB if the First Nation government has received a Certificate from the FMB?

2.0 Financial reporting to Chief & Council

2.1 Monthly financial reporting

The existing Standards require that a First Nation government prepare and distribute to Council and the Finance and Audit Committee monthly financial information.

What is changing and how will it impact First Nation governments?

The proposed changes continue to require that monthly financial information is prepared, but it does not require distribution to Council or the Finance and Audit Committee. It will be up to the First Nation government to choose who receives monthly financial reports.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards and the FMS Standards, but there will also be consequential amendments to the Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below shows the wording from the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

18.3 Monthly reporting – A *FAL* provides for the preparation of monthly financial information respecting the financial affairs of the first nation and for its provision to the councillors and the finance and audit committee.

What will the new Standards say?

18.3 Monthly reporting – A *FAL* provides for the preparation of monthly financial information respecting the financial affairs of the first nation and for ~~its provision~~ **for it being made available** to the councillors and the finance and audit committee **upon request**.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed change to no longer require the monthly financial reports to be distributed to Council and the Finance and Audit Committee?

3.0 Other annual financial reports

The existing Standards require, where applicable, several additional financials reports to be produced and published annually by the First Nation government in conjunction with their annual report. These are called “special purpose reports” in the Standards. These special purpose reports include a report on Council remuneration, a report on any payments made to honour guarantees, a report on any debt forgiveness, and a report on any member loan programs. The FMB is proposing some changes to the requirements around these special purpose reports.

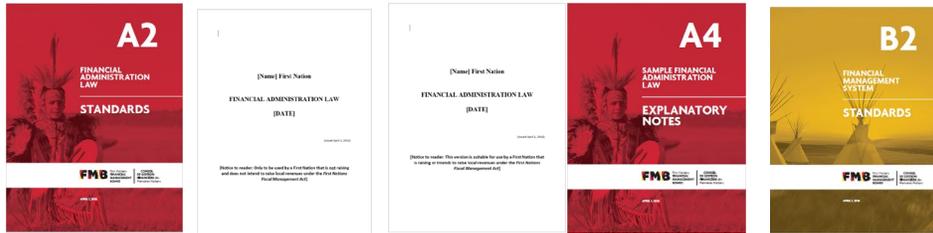
3.1 Review of other annual financial reports

Currently the Standards require that any applicable special purpose reports be “reviewed” by the First Nation government’s independent auditor. A “review” is a defined type of assurance engagement which is not the same as an audit. An auditor can be asked to report on financial information in a variety of ways: audit report, review engagement report, report on the results of specified audit procedures, and compilation (or notice to reader) report. Each report offers differing levels of assurance and consequently differing cost to the First Nation government. It should be noted however, that neither a report on the results of specified audit procedures or a compilation (or notice to reader) report is considered an assurance engagement and neither provides any type of opinion.

What is changing and how will it impact First Nation governments?

The purpose of this proposal is to give First Nation governments the flexibility to choose their preferred level of assurance over any required special purpose reports to best meet their own accountability needs. The level of assurance required will no longer be prescribed in the Standards. The proposed change does not create a new reporting requirement for First Nation governments. With the amendment, the special purpose reporting requirements continue to exist, however, the auditor’s involvement can be decreased or increased, according to the preference of Council.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards and the FMS Standards, but there will also be consequential amendments to the Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below shows the wording from the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

18.6.1 Permitted special purpose reports – A FAL may require the senior financial officer to prepare and the auditor to review any special purpose reports required by an agreement or a law.

18.6.2 Required special purpose reports – A FAL requires the senior financial officer to prepare and the auditor to review the following special purpose reports for each fiscal year: [...]

19.2.4 Duties – A FAL requires the auditor to provide [...]
b. an audit opinion or review comments on the special purpose reports referred to in standard 18.6.

What will the new Standards say?

18.6.1 Permitted special purpose reports – A FAL may require the senior financial officer to prepare and the auditor to **review report on** any special purpose reports required by an agreement or a law.

18.6.2 Required special purpose reports – A FAL requires the senior financial officer to prepare and the auditor to **review report on** the following special purpose reports for each fiscal year: [...]

19.2.4 Duties – A FAL requires the auditor to provide [...]
b. **an audit opinion or review comments a report** on the special purpose reports referred to in standard 18.6.

Alternative option

The FMB is also considering an alternate option to allow the First Nation government to decide if any external assurance at all is needed to meet user needs. Stakeholders are asked to comment on their preferred option in the survey.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to give a First Nation government the flexibility to decide the level of auditor involvement and the level of assurance delivered over the special purpose reports required by a FAL?

Do you prefer the alternative option that would allow the First Nation government to choose whether any external assurance is required over the special purpose reports required by a FAL?

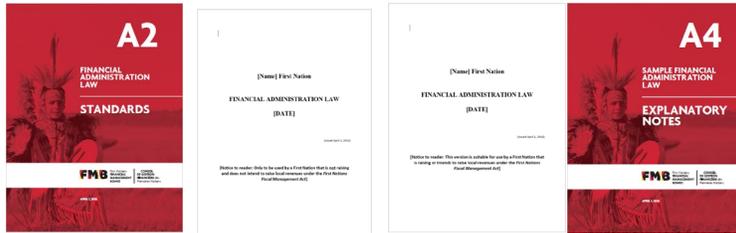
3.2 Use of GAAP for other types of financial reports

Presently the Standards require that the policies, procedures and directions established by Council be consistent with generally accepted accounting principles (“GAAP”). First Nation governments often prepare other types of financial reports, such as those that might be required by an agreement or contract with a funding agency or other organization. These reports would be prepared in accordance with the agreement specifications and may not comply with GAAP.

What is changing and how will it impact First Nation governments?

In order to permit a First Nation government to develop a FAL that allows for the preparation of additional special purpose non-GAAP financial reports, a new Standard is being proposed to allow this flexibility. This change will not impact the existing financial reporting requirements for First Nation governments, but rather clarifies that additional or supplemental non-GAAP special purpose financial statements are permitted by a FAL.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards, but there will also be consequential amendments to the Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below shows the wording from the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

8.3.1 Authority to make – A FAL allows the council to establish policies and procedures and to give directions, not inconsistent with the FAL and generally accepted accounting principles, respecting the financial administration of the first nation.

What will the new Standards say?

8.3.1 Authority to make – A FAL allows the council to establish policies and procedures and to give directions, not inconsistent with the FAL and generally accepted accounting principles, respecting the financial administration of the first nation, except as otherwise permitted in standard [# TBD].

[# TBD] Accounting framework - A FAL may permit the preparation of the special purpose reports referred to in standard [# TBD] on a basis of accounting other than generally accepted accounting principles.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment that would permit a First Nation government to prepare additional non-GAAP financial information whenever necessary?

4.0 Strategic planning

4.1 Strategic planning required in the FAL

A strategic plan is considered one of the foundations of a strong financial management system and is a key component of the integrated planning and budgeting process as well as risk management. Currently no requirement exists within the FAL Standards around the development and periodic updating of a strategic plan by a First Nation government. The FMS Standards, however, contain this requirement and a strategic plan is required for a First Nation government pursuing FMS Certification.

What is changing and how will it impact First Nation governments?

It is proposed that a new FAL Standard be created that requires a strategic plan to be developed and periodically updated with direct input from community members. This amendment will not impact First Nation governments who are pursuing FMS Certification as strategic planning is already one of the requirements. In addition, First Nation governments who have adopted FMB's sample FAL will be minimally impacted as the existing Sample FAL already includes provisions for creating and updating a strategic plan.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards, but there will also be consequential amendments to the FMS Standards, Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

There are no existing requirements in the FAL Standards around strategic planning. The box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

What will the new Standards say?

[# TBD] Preparation of strategic plan – A FAL requires the preparation of a strategic plan for the first nation for the purposes of informing financial and community decision making.

[# TBD] Content of strategic plan – The strategic plan referred to in standard [# TBD] sets out the long-term vision and desired outcomes for the first nation and its members.

[# TBD] Update of strategic plan – A FAL requires the strategic plan to be reviewed on a regular, periodic basis and revised as necessary.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed change to create a new requirement for strategic planning directly in the FAL or should this only be a requirement for First Nation governments pursuing FMS Certification?

5.0 Policies and procedures

5.1 Council approval of policies and procedures

The Standards currently require that Council approve all of the policies and procedures related to the financial management of the First Nation government. This is a responsibility of Council that is not allowed to be delegated under the FAL. In practice the FMB has found that this is an onerous and time consuming undertaking for Councils of First Nation governments working towards implementation of their FALs.

In addition, Council's review and approval of procedures may not add value to the process. As elected leaders with diverse backgrounds, councillors may not have the depth of financial administrative experience needed to design procedures. Unlike policies, procedures are detailed and deal with the minutia of the operating environment, something that may not be the best use of Council's time.

What is changing and how will it impact First Nation governments?

The proposed amendments relax the exemption in the FAL and allow Council to delegate the development of procedures to the senior manager, while keeping the approval of the policy a responsibility of Council. Council will be permitted to delegate authority to the senior manager in the design, approval and amendment of procedures that are meant to allow the Council-approved policy to be applied and adhered to. The amended Standards will still provide the option for Councils who wish to review a final draft and provide final approval. The amendment will also allow Council to provide the senior manager with the authority to amend procedures as necessary to comply with its policies. Changes to procedures may be necessary in order to react quickly to changes in technology, staffing or other conditions that do not alter the overall policy.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards and the FMS Standards, but there will also be consequential amendments to the Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below illustrates the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

8.2 Delegation – A FAL permits the council to delegate to an officer, employee, committee, contractor or agent any function of the council respecting the financial administration of the first nation except

- a. the approval of policies or procedures or the giving of directions respecting any financial administration matter which under the FAL are the responsibility of the council, [...]

What will the new Standards say?

8.2 Delegation – A FAL permits the council to delegate to an officer, employee, committee, contractor or agent any function of the council respecting the financial administration of the first nation except

- a. the approval of policies ~~or procedures~~ or the giving of directions respecting any financial administration matter which under the FAL are the responsibility of the council, [...]

[# TBD] Development and amendment of procedures – A FAL requires that

- a. an existing approved policy be in place before a procedure is developed and that the procedure is consistent with the policy, and
- b. the senior manager be informed of and approve any new or amended procedures.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed change to allow Council to delegate the development and approval of procedures to staff based on Council-approved policies?

5.2 Detailed procedures required by the FAL

The FAL and FMS Standards require a FAL to include specific procedures for effectively managing and controlling funds, revenues, expenditures, borrowings, and investments. These procedures can be detailed in nature and are subject to change from time to time and are better left for inclusion within a First Nation government's policies and procedures instead of the FAL.

What is changing and how will it impact First Nation governments?

The purpose of this proposal is to ease some of the requirements in the FAL Standards that require a First Nation government to establish procedures directly in the FAL. The proposed change will increase flexibility to allow this content to be contained within a policy rather than the FAL itself. There is no change to the requirement that policies and procedures in these areas be established.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards, but there will also be consequential amendments to the FMS Standards, Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below illustrates the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. Standard 16.1.1 has been provided as an example, however this proposal also impacts FAL Standards 16.2.1, 16.3.1, 17.3.1 and 17.3.2. The other changes to the FAL Standards and changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

16.1.1 Fund and revenue controls – A FAL establishes the means for effectively managing and controlling all first nation funds and revenues, including internal controls for financial institution accounts and asset management.

What will the new Standards say?

16.1.1 Fund and revenue controls – A FAL establishes, or requires the council to make policies or procedures or give directions respecting, the means for effectively managing and controlling all first nation funds and revenues, including internal controls for financial institution accounts and asset management.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed change to allow detailed policies and procedures for the management of cash and other assets to be created outside of the FAL?

5.3 Operations manual

The existing Standards require First Nation governments to establish a documented operations manual for the First Nation government's administrative systems. This requirement is redundant with the other requirements contained within the Standards to establish documented procedures for all areas of the financial management system. The FMB expects that an operations manual would be the collection of documented policies and procedures. The proposal removes this section from the Standards.

What is changing and how will it impact First Nation governments?

The proposal removes the requirements for operations manuals from the FAL and FMS Standards.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards and the FMS Standards, but there will also be consequential amendments to the Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below shows the wording from the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

21.2.1 Operations manual – A FAL requires the preparation and maintenance of a current operations manual for the first nation's administrative systems.

21.2.2 Access to manual – A FAL requires the operations manual to be made available to councillors, committee members, officers and employees and, as appropriate, to contractors or agents - subject to reasonable exceptions for those parts of the manual that are appropriate for only limited distribution.

What will the new Standards say?

~~21.2.1 Operations manual~~ – A FAL requires the preparation and maintenance of a current operations manual for the first nation's administrative systems.

~~21.2.2 Access to manual~~ – A FAL requires the operations manual to be made available to councillors, committee members, officers and employees and, as appropriate, to contractors or agents - subject to reasonable exceptions for those parts of the manual that are appropriate for only limited distribution.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposal to eliminate the operations manual requirements?

6.0 Financial institution account reconciliations

6.1 Independent review of bank reconciliations

The existing FMS Standards require the preparation of monthly reconciliations for all financial institution accounts. At present there is no standard requiring that these account reconciliations be reviewed by someone other than the preparer. This is considered a financial management best practice for any organization and is not currently reflected in the FMB's Standards.

What is changing and how will it impact First Nation governments?

This proposal creates a new requirement for the independent review of financial institution account reconciliations. This additional step will help ensure that these reconciliations are performed on a timely basis and that any irregularities are acted upon and resolved. First Nation governments who have adopted the FMB's sample policies will not be impacted by this change, as it is already a requirement within the sample policies.

What Core Documents does it impact?



The proposed changes only impact the FMS Standards.

What do the current Standards say?

The example below shows the wording from the existing FMS Standards and the box that follows shows how the Standards will look with the proposed changes. Refer to the red-line documents for final proposed changes to the FMS Standards.

18.3.1 Reconciliation policy – The council establishes and implements a documented policy requiring all financial institution accounts to be reconciled by the senior financial officer within 30 days of the end of each month, except under documented extenuating circumstances.

What will the new Standards say?

18.3.1 Reconciliation policy – The council establishes and implements a documented policy requiring all financial institution accounts to be reconciled by the senior financial officer **and independently reviewed** within 30 days of the end of each month, except under documented extenuating circumstances.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed change to require an independent review of monthly bank reconciliations?

7.0 Human resource management

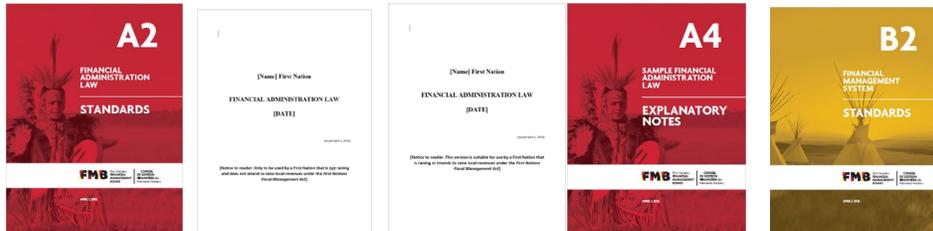
7.1 Establish performance measures, incentives and rewards

The Standards are presently silent on the need for performance measures, incentives or rewards for all levels within the First Nation government. Performance measures, incentives and rewards hold individuals accountable for their responsibilities in the pursuit of the First Nation government's objectives.

What is changing and how will it impact First Nation governments?

The proposed amendment will incorporate the missing element of performance measures, incentives or rewards into the Standards. The proposed new Standard will not be prescriptive and it will be up to First Nation governments to determine the best mix of performance measures, incentives or rewards, if any, to suit their needs to support the achievement of the First Nation's objectives.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards and the FMS Standards, but there will also be consequential amendments to the Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

There are no existing requirements in the Standards around performance measures, incentives or rewards. The box that follows shows how the FAL Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

What will the new Standards say?

[# TBD] Performance measures, incentives and rewards – A FAL provides for, or requires the council to make policies or procedures or give directions respecting, the establishment of performance measures and any incentives or other rewards appropriate for responsibilities at all levels of the first nation, reflecting appropriate dimensions of performance and expected standards of conduct, and considering the achievement of both short-term and long-term objectives.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed change that will require Council to establish performance measures, incentives or rewards?

7.2 Employee performance evaluations

The FMS Standards on employee evaluation do not currently connect employee evaluations to established conduct expectations or competencies. ‘Evaluating’ an individual’s competency is recommended over simply ‘measuring’ it since this implies an outcome. Additionally, standards around employee evaluations exist in the current FMS Standards, but not in the FAL Standards.

What is changing and how will it impact First Nation governments?

The proposed amendment will incorporate employee evaluations into the FAL Standards and amend both sets of Standards to establish a connection between performance expectations and evaluations. The proposed amendment does not change the existing requirement to establish an employee evaluation process, but rather clarifies that the evaluation should be based on expected levels of performance.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards, but there will also be consequential amendments to the FMS Standards, Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

There are no existing requirements in the FAL Standards around employee evaluations. The box that follows shows how the FAL Standards will look with the proposed changes. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

What will the new Standards say?

[# TBD] Employee evaluation – A FAL requires the council to make policies or procedures or give directions respecting the establishment of an employee evaluation process

- a. **to evaluate the performance of individual first nation’s employees against their assigned employment responsibilities and adherence to standards of conduct, and**
- b. **to provide rewards or exercise disciplinary action as appropriate based on the performance evaluation referred to in standard [# TBD].**

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed change to require Council to establish performance measures, incentives or rewards as part of a FAL?

8.0 Risk management

The FMS Standards currently contain prescriptive requirements around risk assessment. The inclusion of these requirements in the Standards was in response to recent changes in the internationally recognized risk management framework upon which the Standards are based. However, we have found that in practice, the level of detail contained within the Standards goes beyond what is considered useful. Details should be left to separate guidance and not contained within the Standards.

8.1 Identification of fraud risks

The FMS Standards currently provide a detailed lists of areas where potential fraud could occur. This information could be provided in a supplementary guidance document and does not need to be set out directly in the Standards.

What is changing and how will it impact First Nation governments?

The purpose of this proposal is to eliminate the detailed listing from the Standards and have this information available in a separate guidance document. This proposal does not change the requirement for First Nation governments to consider and identify potential fraud risks.

What Core Documents does it impact?



The proposed changes only impact the FMS Standards.

What do the current Standards say?

The example below illustrates the existing FMS Standards and the box that follows shows how the Standards will look with the proposed changes. Standard 19.6.1 has been provided as an example, however this proposal also impacts FMS Standards 19.7.2, 19.7.3, 19.7.4, 19.7.5 and 19.7.6. The changes to the other FMS Standards will be similar. Refer to the red-line documents for final proposed changes to the FMS Standards.

19.6.1 Risk identification procedure – The council demonstrates documented procedures to identify and document any activities that could result in risk of the following:

- a. a material misstatement in information in the first nation’s quarterly and annual financial statements including misstatements respecting the following:
 - i. financial reporting framework and timelines;
 - ii. the capturing of information from various routine and non-routine sources of information and the evaluation and analysis of this information;
 - iii. the financial closing process at the end of each reporting period;
- b. failure to achieve planned levels of financial performance for the first nation; and
- c. failure to perform the first nation’s obligations.

What will the new Standards say?

19.6.1 Risk identification procedure – The council demonstrates documented procedures to identify and document any activities that could result in risk of the following:

- a. a material misstatement in information in the first nation’s quarterly and annual financial statements; ~~including misstatements respecting the following:~~
 - ~~i. financial reporting framework and timelines;~~
 - ~~ii. the capturing of information from various routine and non-routine sources of information and the evaluation and analysis of this information;~~
 - ~~iii. the financial closing process at the end of each reporting period;~~
- b. failure to achieve planned levels of financial performance for the first nation; and
- d. failure to perform the first nation’s obligations.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to reduce the level of detailed considerations that must be made when performing risk management activities?

8.2 Reporting financial misconduct

The FMS Standards currently provide a detailed list of the types of financial misconduct that should be reported on. The expectation is that any type of financial misconduct should be reported, however the existing Standards may be seen as limiting to the listed types. The types of fraud

should be provided in a supplementary guidance document and do not need to be set out in the Standard.

What is changing and how will it impact First Nation governments?

The purpose of this proposal is eliminate some of the prescriptive requirements of the FMS Standards around reporting financial misconduct. This change will also be consistent with the wording in the FAL Standards, which is a more general statement. This proposal does not impact the requirement to report financial misconduct.

What Core Documents does it impact?



The proposed changes only impact the FMS Standards.

What do the current Standards say?

The example below shows the wording from the existing FMS Standards and the box that follows shows how the Standards will look with the proposed changes. Refer to the red-line documents for final proposed changes to the FMS Standards.

27.1 Reporting policies - The council establishes and implements documented policies respecting the reporting of breaches of the FAL or of council policies, procedures or directions including the reporting of the following:

- a. questionable accounting practices;
- b. inadequate internal accounting controls;
- c. the misleading or coercion of auditors;
- d. fraudulent or misleading financial information;
- e. instances of fraud;
- f. material misrepresentation in disclosures made by or on behalf of the first nation.

What will the new Standards say?

27.1 Reporting misconduct - The council establishes and implements documented policies and procedures respecting the reporting of **any alleged misappropriation or irregularity in the financial administration of the first nation** breaches of the FAL or of council policies, procedures or directions including the reporting of the following:

- a. ~~questionable accounting practices;~~
- b. ~~inadequate internal accounting controls;~~
- c. ~~the misleading or coercion of auditors;~~
- d. ~~fraudulent or misleading financial information;~~
- e. ~~instances of fraud;~~
- f. ~~material misrepresentation in disclosures made by or on behalf of the first nation.~~

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to reduce the level of detailed considerations that must be made when performing risk management activities related to misconduct including fraud?

8.3 Eliminate duplication of requirements within fraud risk management standards

Two sections of the FMS Standards contain the same requirement to ensure that the persons engaged in the First Nation's financial management system are qualified to performance the services for which they have been engaged. The Standards further require that Council establish a positive workplace environment that supports integrity, honesty, accountability and transparency. These requirements are duplicated within the "financial reporting risks" section 19.6 and the "fraud risks" section 19.7.

What is changing and how will it impact First Nation governments?

The proposal is to eliminate the duplication and move to requirements under a new heading, "risk controls". This proposal does not impact the risk management activities required to be carried out by the First Nation government.

What Core Documents does it impact?



The proposed changes only impact the FMS Standards.

What do the current Standards say?

The example below shows the wording from the existing FMS Standards and the box that follows shows how the Standards will look with the proposed changes. Refer to the red-line documents for final proposed changes to the FMS Standards.

19.6.2 Risk controls – The council establishes and documents controls that mitigate or manage the risks referred to in standard 19.6.1 including requiring the senior manager to ensure that

- a. the persons engaged in the first nation's financial management system
 - i. are qualified to perform the services for which they have been engaged, and
 - ii. confirm in writing periodically that they understand their responsibilities; and
- b. a positive workplace environment that supports integrity, honesty, accountability and transparency is established and maintained.

19.7.7 Fraud risk controls – The council establishes and implements documented controls that require the senior manager to ensure that

- a. the individuals engaged in control activities in the first nation's financial management system
 - i. are qualified to perform those activities, and
 - ii. confirm in writing periodically that they understand their responsibilities, and
- b. the first nation's control environment and control activities are monitored and reported on periodically to the finance and audit committee of the first nation and the council.

What will the new Standards say?

[# TBD] Risk controls – The council establishes and documents ~~implements documented~~ controls that ~~mitigate or manage the risks referred to in standard 19.6.1 including requiring~~ **require** the senior manager to ensure that

- a. the persons engaged in the first nation’s financial management system
 - i. are qualified to perform the services for which they have been engaged, and
 - ii. confirm in writing periodically that they understand their responsibilities; and
- b. a positive workplace environment that supports integrity, honesty, accountability and transparency is established and maintained.
- c. the first nation’s control environment and control activities are monitored and reported on periodically to the finance and audit committee of the first nation and the council.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to reduce the level of detailed considerations that must be made when performing risk management activities?

9.0 Investment management

9.1 Limitations on investments

FAL Standard 17.3 was originally developed to promote conservative investment of government transfer funds, local revenues and other revenues. Part of the reasoning was to ensure that these funds would be available when required to provide the services for which funds were collected. The FAL Standards adopted the same list of conservative investments set out in section 82(3) of the FMA as would be permitted for a sinking fund or debt reserve fund of FNFA. The restrictions on local revenue and government transfer remain appropriate, however the restrictions on other revenues are unnecessary and it should be up to Council to determine their own investment strategy for these funds.

The proposed change will remove the limitations around investment of other revenues and encourage Council to create their own investment strategy and decide which types of investments are appropriate to meet their desired investment outcomes.

What is changing and how will it impact First Nation governments?

The proposed change will remove the limitations around investment of other revenues and encourage Council to create their own investment strategy and decide which types of investments are appropriate to meet their desired investment outcomes.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards and the FMS Standards, but there will also be consequential amendments to the Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below shows the wording from the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

17.3.1 Types of investments – A FAL specifies the type of investments in which first nation funds may be invested including a requirement that the following funds may only be invested in investments specified in section 82(3)(a), (b), (c) or (d) of the Act and in investments in securities issued by the First Nations Finance Authority or a municipal finance authority established by a province:

- a. government transfer funds;
- b. local revenue funds; and
- c. other revenues funds if the first nation has a loan from the First Nations Finance Authority secured by other revenues.

What will the new Standards say?

[# TBD] Investment management – A FAL establishes provisions respecting, or requires the council to make policies or procedures or to give directions respecting effective investment management.

[# TBD] Types of investments – A FAL specifies the type of investments in which first nation funds may be invested including a requirement that the following funds may only be invested in investments specified in section 82(3)(a), (b), (c) or (d) of the Act and in investments in securities issued by the First Nations Finance Authority or a municipal finance authority established by a province:

- a. government transfer funds; and
- b. local revenue funds; and
- c. other revenues funds if the first nation has a loan from the First Nations Finance Authority secured by other revenues.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to eliminate the limitations on how other revenues can be invested?

10.0 Tangible capital assets

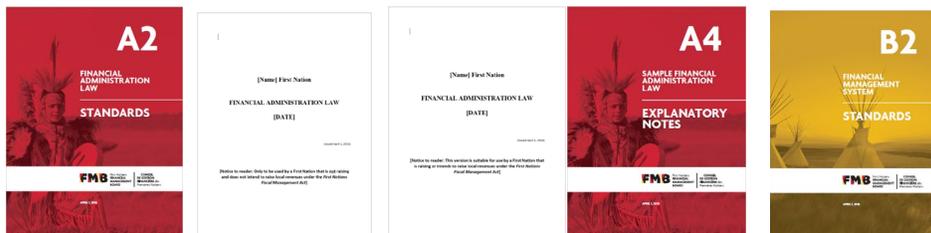
10.1 Tangible capital asset life cycle planning

The existing FAL Standards are prescriptive in the area of tangible capital asset life-cycle planning. In our experience we have found that First Nation governments are able to achieve an acceptable level of compliance in this area without fulfilling all of the perspective requirements set out in the FAL Standard.

What is changing and how will it impact First Nation governments?

The proposed change will remove some of the more prescriptive requirements around tangible capital asset life-cycle planning from the FAL Standards. Council will have the flexibility to reflect additional requirements within their policies instead. The Sample FAL will continue to include these items for First Nation governments who wish to adopt all of the recommendations.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards, but there will also be consequential amendments to the FMS Standards, Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below shows the wording from the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

22.3 Life cycle-planning – A FAL requires documented lifecycle planning for tangible capital assets including the following:

- a. the development, maintenance and updating of an assets register which includes the following information for each asset: location, ownership, year of acquisition, inspection dates, expected useful life at time of acquisition and, on inspection, residual value and insurance coverage;
- b. the annual inspection of all tangible capital assets which includes the following information for each asset: present use, state of repair and suitability for use, remaining useful life and estimated replacement cost, estimated dates and costs of future rehabilitation, operating and maintenance costs for last five years, maintenance records and insurance coverage;
- c. the plan for annual scheduling for tangible capital assets of routine maintenance as well as short, medium and long term forecasting of estimated costs of rehabilitation or replacement of assets; and
- d. the preparation of annual budgets for rehabilitation and replacement of tangible capital assets including new construction.

What will the new Standards say?

22.3 Life cycle-planning – A FAL requires documented lifecycle planning for tangible capital assets including the following:

- a. the development, maintenance and updating of an assets register ~~which includes the following information for each asset: location, ownership, year of acquisition, inspection dates, expected useful life at time of acquisition and, on inspection, residual value and insurance coverage;~~ b. the annual **periodic** inspection of all tangible capital assets ~~which includes the following information for each asset: present use, state of repair and suitability for use, remaining useful life and estimated replacement cost, estimated dates and costs of future rehabilitation, operating and maintenance costs for last five years, maintenance records and insurance coverage;~~
- b. the plan for annual scheduling for tangible capital assets of routine maintenance ~~as well as short, medium and long term forecasting of estimated costs of rehabilitation or replacement of assets; and~~
- c. the preparation of an annual budget for rehabilitation and replacement of tangible capital assets including new construction; **and**
- d. **the long term forecasting of estimated costs of rehabilitation or replacement of tangible capital assets including new construction.**

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to allow more flexibility in tangible capital asset life-cycle planning?

11.0 Conflicts of interest

11.1 Disclosure of conflicts of interest

The existing FMS Standards require the establishment of documented procedures for the disclosure by non-councillors of matters that could result in a conflict of interest, however there is no similar requirement for councillors.

What is changing and how will it impact First Nation governments?

The proposed change incorporates a new requirement for a policy and procedures to be established for disclosure by councillors of any circumstances which could result in a conflict of interest in order to eliminate this gap. Note that the requirement for councillors to disclose potential conflicts of interest already exists in the FAL Standards and the Sample FAL and is not impacted by this change. The amendment does not impact the requirement to make these disclosures, but only to create a procedure for these disclosures.

What Core Documents does it impact?



The proposed changes only impact the FMS Standards.

What do the current Standards say?

The example below shows the wording from the existing FMS Standards and the box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FMS Standards.

13.1.1 Disclosure procedures for councillors – The council establishes and implements documented procedures for

- a. the annual disclosures by councillors of their private interests which could result in a conflict of interest, and [...]

What will the new Standards say?

13.1.1 Disclosure procedures for councillors – The council establishes and implements documented procedures for

- a. the annual disclosures by councillors of their private interests which could result in a conflict of interest,
- b. **the disclosure by councillors of any circumstances as soon as practicable which could result in a conflict of interest**, and [...]

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to require a procedure be created for the disclosure of conflicts of interest by councillors?

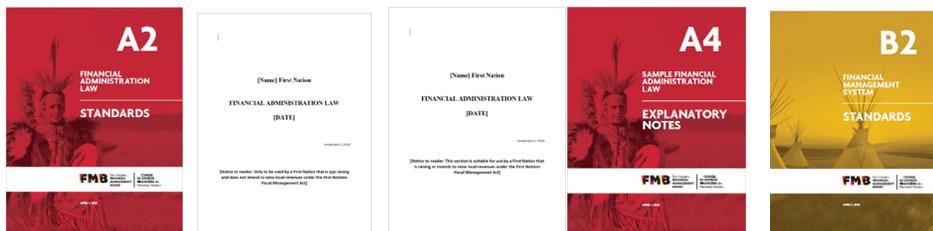
11.2 Annual conflict of interest declaration

The existing Standards require councillors, officers, employees, committee members, contractors and agents to disclose any circumstances that could result in a conflict of interest. This disclosure only provides negative assurance since the absence of any such disclosure either means that there is nothing to disclose or that an individual with a conflict has not provided any required disclosure.

What is changing and how will it impact First Nation governments?

The proposed amendments will require a positive confirmation as part of the annual compliance declaration process and will continue to require disclosure of potential conflicts as they arise. This proposal creates a new requirement for councillors, officers, employees, committee members, contractors and agents to annually disclose potential conflicts of interest or to declare that they do not have any conflicts of interest.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards and the FMS Standards, but there will also be consequential amendments to the Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below shows the wording from the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

12.5 Conflict of interest disclosures – A FAL requires

- a. councillors to annually disclose relevant information respecting their private interests which could result in a conflict of interest, and
- b. officers, employees, committee members, contractors and agents to disclose as soon as practicable any circumstances which could result in a conflict of interest.

What will the new Standards say?

12.5 Conflict of interest disclosures – A FAL requires

- a. councillors to annually disclose relevant information respecting their private interests which could result in a conflict of interest, ~~and~~
- b. councillors, officers, employees, committee members, contractors and agents to annually sign a declaration disclosing any circumstances which could result in a conflict of interest or a declaration that they are not aware of any circumstances which could result in a conflict of interest, as the case may be, and
- c. councillors, officers, employees, committee members, contractors and agents to disclose as soon as practicable any circumstances which could result in a conflict of interest.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to require annual declarations of conflicts of interest by councillors, officers, employees, committee members, contractors and agents?

12.0 Financial Administration Law

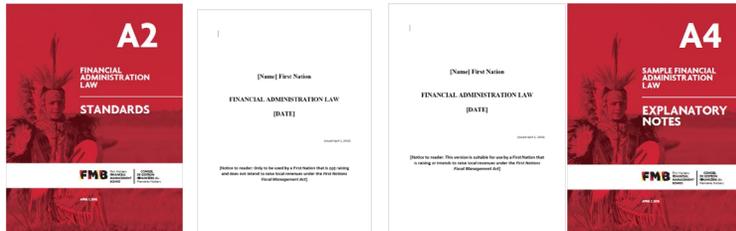
12.1 Provision of the FAL to the FNFA

Presently the FAL and FMS Standards require that a First Nation government deliver a copy of their approved FAL to the FNFA if they intend to become a borrowing member of the FNFA. This requirement is unnecessary given that once the FAL is approved, the FMB makes the FALs publicly available on the [FMB website](#) and provides the FAL to the [First Nations Gazette](#). It is the FMB's FAL Review Procedures and a signed Council Resolution that authorizes the FMB to publish the approved FAL.

What is changing and how will it impact First Nation governments?

The proposed amendments reduce the administrative burden for First Nation governments by eliminating the requirement for a First Nation government to provide the FAL to the FNFA and simply require the FAL to be made available, which is covered by the publication on the FMB's website and in the First Nations Gazette.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards, but there will also be consequential amendments to the Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below shows the wording from the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. The changes to the other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

29.1 Provision to FNFA – If a first nation intends to become a borrowing member, a FAL requires the council to provide a copy of its financial administration law to the First Nations Finance Authority as soon as practical after the FAL is approved by the Board.

What will the new Standards say?

29.1 Provision to FAL available to FNFA – If a first nation intends to become a borrowing member, a FAL requires the council to ~~provide a copy of~~ **make** its financial administration law **available** to the First Nations Finance Authority as soon as practical after the FAL is approved by the Board.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to no longer require First Nation governments to deliver a copy of their FAL to the FNFA as long as it has been made available in some manner?

13.0 Compliance with other legislation

13.1 Eliminate requirements related to other legislation

The existing Standards include requirements for First Nation governments to comply with the financial administration requirements under the *First Nations Land Management Act* and the *First Nations Oil and Gas and Moneys Management Act*. These acts set out their own financial administration and reporting requirements. The Standards are redundant given the First Nation government's inherent obligation to comply with legislation to which it is subject. The FMB does not have an enforcement or compliance monitoring role with these other laws.

Further, the Standards require a First Nation government to prepare a separate special purpose report on revenues derived under a land code created under the *First Nations Land Management Act*. Under existing accounting standards, if the revenue stream derived from lands is material to the annual financial statements, it should be presented separately on the face of the statement of operations.

What is changing and how will it impact First Nation governments?

The purpose of this proposal is reduce the reporting burden and compliance costs for First Nation governments by eliminating the references in the Standards to comply with other legislation outside of the FMA. The proposed amendment removes all references to these acts from the Standards and takes into account existing accounting standards for presentation and disclosure. The amendment does not impact the requirement that the First Nation government comply with other applicable laws.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards and the FMS Standards, but there will also be consequential amendments to the Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below illustrates the wording from the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. As the proposed amendment impacts many areas of the FAL Standards, not all changes have been shown below. The additional changes to the FAL Standards and other Core Documents noted above will be similar. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

15.3.2 Revenue categories for land code – If the first nation has a land code in force, a FAL requires the revenue categories respecting moneys derived from first nation lands to be categorized and shown separately from other revenues with a sub-category for any revenues from natural resources obtained from first nation lands.

18.5.2 Preparation requirements – A FAL requires annual financial statements for the first nation [...]

b. if the first nation has a land code in force, to include the same revenue categories respecting revenues from first nation lands as are required by standard 15.3.2 to be included in the first nation's budgets.

18.6.2 Required special purpose reports – A FAL requires the senior financial officer to prepare and the auditor to review the following special purpose reports for each fiscal year: [...]

d. if a first nation has a land code in force, a report setting out moneys of the first nation derived from first nation lands, categorized and shown separately from other revenues and that includes a sub-category respecting revenues from natural resources obtained from first nation lands, referred to in standard 15.3.2

25.1 Provisions respecting land code – If the first nation has a land code in force, a FAL requires the first nation to comply with the *First Nations Land Management Act* and any land code made by the first nation as required or permitted under that Act.

25.2 Accountability to first nation members – If the first nation has a land code in force, a FAL provides a method, or requires the council to establish a policy that provides a method, for ensuring the accountability to first nation members for the management of first nation land and moneys derived from first nation land as required under the first nation's land code to satisfy section 6(1)(e) of *the First Nations Land Management Act*.

26.1 Provisions respecting oil and gas – If the first nation has a financial code in force under the *First Nations Oil and Gas and Moneys Management Act*, a FAL requires the first nation to comply with the *First Nations Oil and Gas and Moneys Management Act* and any financial code made by the first nation as required or permitted under that Act.

What will the new Standards say?

~~15.3.2 Revenue categories for land code~~—If the first nation has a land code in force, a FAL requires the revenue categories respecting moneys derived from first nation lands to be categorized and shown separately from other revenues with a sub-category for any revenues from natural resources obtained from first nation lands.

18.5.2 Preparation requirements – A FAL requires annual financial statements for the first nation [...]

~~b. if the first nation has a land code in force, to include the same revenue categories respecting revenues from first nation lands as are required by standard 15.3.2 to be included in the first nation's budgets.~~

18.6.2 Required special purpose reports – A FAL requires the senior financial officer to prepare and the auditor to review the following special purpose reports for each fiscal year: [...]

~~d. if a first nation has a land code in force, a report setting out moneys of the first nation derived from first nation lands, categorized and shown separately from other revenues and that includes a sub-category respecting revenues from natural resources obtained from first nation lands, referred to in standard 15.3.2.~~

~~25.1 Provisions respecting land code~~—If the first nation has a land code in force, a FAL requires the first nation to comply with the *First Nations Land Management Act* and any land code made by the first nation as required or permitted under that Act.

~~25.2 Accountability to first nation members~~—If the first nation has a land code in force, a FAL provides a method, or requires the council to establish a policy that provides a method, for ensuring the accountability to first nation members for the management of first nation land and moneys derived from first nation land as required under the first nation's land code to satisfy section 6(1)(e) of the *First Nations Land Management Act*.

~~26.1 Provisions respecting oil and gas~~—If the first nation has a financial code in force under the *First Nations Oil and Gas and Moneys Management Act*, a FAL requires the first nation to comply with *First Nations Oil and Gas and Moneys Management Act* and any financial code made by the first nation as required or permitted under that Act.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to eliminate requirements related to other legislation from the Standards?

14.0 Financial Management System Certification

14.1 Deferral of financial management system self-assessment requirements

The existing FMS Standards require all First Nation governments to complete an annual financial management system self-assessment process. The FMB has found that these requirements are impractical for First Nation governments who are pursuing their first FMS Certification. For these First Nation governments most of the systems are newly in place and have been functioning for less than one year; a self-assessment would add little value to the process.

What is changing and how will it impact First Nation governments?

The proposal will exempt First Nation governments seeking their first FMS Certificate from the FMS self-assessment requirements and will make them applicable only for First Nation governments who already have an FMS Certificate from the FMB. Annual self-assessments are part of the continuous improvement process for First Nation governments who want to ensure their financial management systems continue to operate effectively.

What Core Documents does it impact?



The proposed changes only impact the FMS Standards.

What do the current Standards say?

There is no current standard contained within the FMS Standards. The box that follows shows how the Standards will look with the proposed changes. Refer to the red-line documents for final proposed changes to the FMS Standards.

What will the new Standards say?

[# TBD] Applicability – The procedures referred to in standard 28.2 and 28.3 only apply to a first nation that has a Financial Management System Certificate issued the Board.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to exempt First Nation governments who are seeking FMS Certification for the first time from the FMS self-assessment requirements?

14.2 Eliminate term of FMS Certificate

FMS Certification Procedure 12.1 states that a FMS Certificate expires after 36 months. The initial rationale for a three-year term was to align with the terms of ISO Certification. Since that time the thinking around the term of an FMS Certificate has evolved.

An FMS Certificate issued by the FMB is 'as at' a point in time. It does not provide any ongoing assurance. With the simple passage of time, the relevance and usefulness of an FMS Certificate diminishes to any user. This makes an arbitrary three-year expiry date unnecessary. The FMB still encourages any FMS Certificate holder to request a new FMS Certification review, according to their needs and at Council's discretion, to demonstrate that the system is still in place. The amendment does not impact existing FMS Certificate holders, as the FMS Certificates themselves do not state an expiry date.

What is changing and how will it impact First Nation governments?

This proposal will eliminate the expiry date for an FMS Certificate. FMS Certificates are issued at a point in time and do not expire. There will be no impact on existing FMS Certificate holders as the FMS Certificates themselves do not state an expiry date. The FMB still encourages any FMS Certificate holder to request a new FMS Certification review, according to their needs and at Council's discretion, to demonstrate that the system is still in place.

What Core Documents does it impact?



The proposed changes only impact the FMS Certification Procedures.

What do the current Standards say?

The example below shows the wording from the existing FMS Certification Procedures and the box that follows shows how the Procedures will look with the proposed changes. Refer to the red-line documents for final proposed changes to the FMS Certification Procedures.

12.1 Three-year expiry – A Financial Management System Certificate issued by the Board under these procedures expires on the third anniversary of the day the certificate was issued under section 11.1.

What will the new Standards say?

12.1 Three year expiry— A Financial Management System Certificate issued by the Board under these procedures expires on the third anniversary of the day the certificate was issued under section 11.1.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to eliminate the three-year term of an FMS Certificate?

14.3 Eliminate requirement for periodic FMS reviews by FMB

Under the FMA there is no legal requirement for a First Nation government to undergo any subsequent or ongoing periodic review of their financial management system once they have received a FMS Certificate from the FMB. Neither does the FMB have the legal authority to require a First Nation government to be subject to a periodic review. The existing FMS Certification Procedures contain provisions for conducting periodic reviews of a First Nation government's financial management system following FMS Certification. Periodic reviews, if any, should be at the request of a First Nation government.

What is changing and how will it impact First Nation governments?

The proposed changes amend the 'Periodic Reviews' section of the FMS Certification Procedures to allow Council the option of requesting a post-certification informal review of its financial management system by the FMB. While the FMB will issue a report to Council on the results of its informal review, this report will not constitute a new FMS Certificate. If the First Nation government has been issued an FMS Certificate and wishes the FMB to issue it a new Certificate under section 50 of the FMA, the First Nation government's request will still need to be made under section 6 of the FMS Certification Procedures. The amendment does not impact existing FMS Certificate holders, as the FMB does not currently conduct any period reviews as stated in the existing FMS Certification Procedures.

What Core Documents does it impact?



The proposed changes only impact the FMS Certification Procedures.

What do the current Standards say?

Procedure 13.1 has been provided as an example, however this proposal also impacts FMS Certification Procedures 13.2, 13.4, 13.4, 13.5 and 13.5. The changes to the other FMS Certification Procedures will be similar. Refer to the red-line documents for all of the changes. The box that follows shows how the FMS Certification Procedures will look with the proposed changes. Refer to the red-line documents for final proposed changes to the FMS Certification Procedures.

13.1 Periodic reviews – The Board may, at its sole discretion, conduct periodic reviews of the financial management system of a first nation that has been issued a Financial Management System Certificate for the purpose of assessing whether the first nation remains in compliance with the Financial Management System Standards during the term of the certificate.

What will the new Standards say?

~~13.1 Periodic reviews~~ – The Board may, at its sole discretion, conduct periodic reviews of the financial management system of a first nation that has been issued a Financial Management System Certificate for the purpose of assessing whether the first nation remains in compliance with the Financial Management System Standards during the term of the certificate.

[# TBD] Post certificate informal review – If a first nation has been issued a Financial Management System Certificate, the first nation may, by a resolution of the council of the first nation, request the Board to conduct an informal review of all or part of its financial management system for the purpose of giving an informal report on the state of all or part of the first nation's financial management system.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to replace the concept of a periodic review with an optional informal review of a First Nation's financial management system?

15.0 Financial Performance Certification

15.1 Requirement for updated Financial Administration Law for FP Certification

Occasionally a First Nation government may enact a FAL and have it approved by the FMB without receiving an FP Certificate at the same time. At a later date the First Nation government may apply for FP Certification, but under the existing Standards they will be required to update their FAL if there have been any changes to the FAL Standards since the FAL was originally enacted. There is no rationale for requiring an older FAL to be updated just because an FP Certificate is issued after a new set of FAL Standards has been issued.

What is changing and how will it impact First Nation governments?

The proposed amendment removes the requirement that the First Nation government's FAL must be updated to meet the current set of FAL Standards that exist when an FP Certificate is later requested. The First Nation government will be expected to update its FAL as it works towards achieving a FMS Certificate.

What Core Documents does it impact?



The proposed changes only impact the FP Standards.

What do the current Standards say?

The example below shows the wording from the existing FP Standards and the box that follows shows how the Standards will look with the proposed changes. Refer to the red-line documents for final proposed changes to the FP Standards.

5.1 Board approved FAL – The first nation has a FAL which meets the following requirements:

- a. the FAL meets the Financial Administration Law Standards in effect on the date the Board conducts a formal review of the first nation's financial performance under the Financial Performance Certification Procedures, and

the Board has issued a compliance approval for the FAL under section 9 of the Act.

What will the new Standards say?

5.1 Board approved FAL – The first nation has a FAL which ~~meets the following requirements:~~ **has been approved by**

- a. ~~the FAL meets the Financial Administration Law Standards in effect on the date the Board conducts a formal review of the first nation's financial performance under the Financial Performance Certification Procedures, and~~

the Board ~~has issued a compliance approval for the FAL~~ under section 9 of the Act.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to no longer require a FAL update to be completed before FP Certification?

15.2 FAL provisions in force for FP Certification

Currently, in order to be eligible for FP Certification a First Nation government must have brought into force a minimum number of FAL provisions covering six areas. In order to align the requirements for receiving an FP Certificate with the recently established minimum elements required for eligibility for a 10-year grant from the Department of Indigenous Services Canada, additional FAL provisions are being proposed to be added to the list of minimum FAL provisions required to be in force.

What is changing and how will it impact First Nation governments?

The purpose of this proposal is to align the minimum FAL provision requirement with the new requirements for 10-year grants so that a First Nation government enacting a FAL for an FP Certificate will not have to amend their FAL in order to be eligible for a 10-year grant. This change will only impact First Nation governments enacting a new FAL or seeking new FP Certification from the FMB. This change will not impact existing FP Certificate holders. First Nation governments applying for the 10-year grants will have to bring these provisions into force as part of the eligibility requirements for the grants.

What Core Documents does it impact?



The proposed changes only impact the FP Standards.

What do the current Standards say?

The example below shows the wording from the existing FP Standards and the box that follows shows how the Standards will look with the proposed changes. Refer to the red-line documents for final proposed changes to the FP Standards.

5.2 Provisions of FAL in force – If a first nation is requesting a Financial Performance Certificate before the first nation has a Financial Management System Certificate, the provisions of the first nation’s FAL which comply with the following Financial Administration Law Standards, are in force:

- a. Standard 13.1 (Fiscal Year);
- b. Standards 15.1 – 15.4 (Budgets) (excluding 15.4.3);
- c. Standards 18.2 – 18.5 (Financial Reporting);
- d. Standards 19.1 – 19.5, 19.7 (Audits);
- e. Standard 21.4 – 21.6 (Records for Local Revenue Account and Other Revenues); and
- f. Standards 24.1 – 24.2 (Delegated Authority in Intervention)

What will the new Standards say?

5.2 Provisions of FAL in force – If a first nation is requesting a Financial Performance Certificate before the first nation has a Financial Management System Certificate, the provisions of the first nation’s FAL which comply with the following Financial Administration Law Standards, are in force:

- a. Standards 1.0 to 7.0 (Introduction, Part One – Interpretation and Application);
- b. Standards 8.1 to 8.2 (First Nation Council responsibilities and delegation);
- c. Standards 10.1.1 to 10.1.2 (Finance and Audit Committee);
- d. Standard 11.1.1 (Appointment of Senior Manager);
- e. Standard 11.2.1 (Appointment of Senior Financial Officer)
- f. Standard 11.4.2 (Organization chart);
- g. Standards 12.1, 12.2, 12.4 - 12.6 (Conduct)
- h. Standard 13.1 (Fiscal Year);
- i. Standards 14.1 and 14.2 (Financial plans);
- j. Standards 15.1 – 15.4 (Budgets) (~~excluding 15.4.3~~);
- k. Standards ~~18.2~~ 18.1 – 18.5 (Financial Reporting);
- l. Standards 19.1 – ~~19.5~~, 19.7 (Audits);
- m. Standards 20.1 to 20.5 (Annual report);
- n. Standard ~~21.4~~ 21.5 – 21.6 (Records for Local Revenue Account and Other Revenues);
and
- o. Standards 23.1 - 23.2 (Compliance with Board Standards);
- p. Standards 24.1 – 24.2 (Delegated Authority ~~on~~ in Intervention);
- q. Standards 27.1 - 27.6 (Financial misconduct); and
- r. Standards 30.1 - 30.2 (Coming into force)

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to require additional FAL provisions to come into force when a First Nation government is seeking its initial FP Certificate?

16.0 Local revenue

The following proposals only apply with First Nation governments collecting, or planning to collect, local revenue under the *First Nations Fiscal Management Act*.

16.1 Disclosure in local revenue financial statements

A First Nation government raising local revenue must prepare an expenditure law and have it approved by the First Nations Tax Commission (FNTC). Under current FNTC Standards, the inclusion of a budgeted contingency expenditure is permitted. When a First Nation government makes a contingency expenditure, a reader of the local revenue financial statements is only able to understand the reasons for it and the actual nature of the expenditure when a supplementary note disclosure is included. The existing standards do not include a requirement that the supplementary note disclosures include information about contingency expenditures.

What is changing and how will it impact First Nation governments?

The proposed new Local Revenue Financial Reporting Standards will require the First Nation government to include in the note disclosures of their separate local revenue financial statements a description or breakdown of any contingency expenditures made during the period. This is to ensure that readers can understand the reasons for and nature of any contingency expenditures made from local revenues.

What Core Documents does it impact?



The proposed changes impact the collection of Local Revenue Financial Reporting Standards.

What do the current Standards say?

The example below shows the wording from the existing Local Revenue Financial Reporting Standards and the box that follows shows how the Standards will look with the proposed changes. Refer to the red-line documents for final proposed changes to the Local Revenue Financial Reporting Standards.

8.1 Minimum disclosures – The local revenue financial statements include, at a minimum, the following disclosures:

- a. description of local revenue activities – a brief description of the composition and purpose of local revenues and expenditures;
- b. basis of presentation – a brief description of the basis of presentation selected when preparing the statements. (Reference may be given to both the requirements under the Act and these standards); and
- c. any other relevant information that may assist readers of the statements.

What will the new Standards say?

8.1 Minimum disclosures – The local revenue financial statements include, at a minimum, the following disclosures:

- a. description of local revenue activities – a brief description of the composition and purpose of local revenues and expenditures;
- b. basis of presentation – a brief description of the basis of presentation selected when preparing the statements. (Reference may be given to both the requirements under the Act and these standards);
- c. description or breakdown of any contingency expenditures made during the period including those for any comparable period presented; and
- d. any other relevant information that may assist readers of the statements.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment that would require disclosure of a breakdown of any local revenue expenditure classified as a contingency in the notes to the separate local revenue financial statements?

16.2 Financial Performance Standards – Local Revenue Collection Ratio

The Local Revenue Collection Ratio (“LRCR”) is one of the ratios that the FMB uses to evaluate a First Nation government’s financial performance for eligibility for an FP Certificate. The Local Revenue Collection Ratio measures a First Nation government’s effectiveness at collecting the local revenues it is levying. A recent amendment to the FP Standards in February 2018 updated the nomenclature used in the LRCR from property taxation to local revenue to align with the FMA.

While correct reference is made to raising local revenues under the FMA in the description of how the LRCR is applied, a reference to the *Indian Act* has been unintentionally omitted. Until such time as a First Nation government's name is added to the Schedule of the FMA, existing local revenue laws established under the *Indian Act* remain in force. By omitting reference to the *Indian Act* the FMB has unintentionally excluded the evaluation of the LRCR for a First Nation government that has been levying and collecting local revenues (property taxes) under the *Indian Act* and has only been Scheduled to the FMA subsequent to the start of the most recent taxation year. This exclusion is inconsistent with the evaluation that is made of all other financial performance ratios irrespective of when the actual Scheduling to the FMA occurs. The intention of the LRCR is to measure collection of local revenue or property taxation regardless of whether it occurred under the FMA or the *Indian Act*.

What is changing and how will it impact First Nation governments?

The purpose of this proposal is to clarify that the calculation of the Local Revenue Collection Ratio ("LRCR") also applies to a First Nation government levying local revenue or property taxes under the *Indian Act* prior to the First Nation government being Scheduled to the FMA. The change will not have an impact on how the FMB currently calculates the LRCR but will clarify that the calculation of the LRCR will incorporate any property taxes that were levied under the *Indian Act* prior to the First Nation government being Scheduled to the FMA.

What Core Documents does it impact?



The proposed changes only impact the FP Standards.

What do the current Standards say?

The example below shows the wording from the existing FP Standards and the box that follows shows how the Standards will look with the proposed changes. Refer to the red-line documents for final proposed changes to the FP Standards.

7.1 Definitions – In this Standard 7.0: [...]

“**local revenues collected**” means the amounts, generally reported by first nation management, that a first nation has collected under its annual local revenue laws pursuant to the *First Nations Fiscal Management Act* excluding payments or grants in lieu of taxation, and where uncollected revenues are considered as those amounts outstanding at the time of the review;

“**local revenues levied**” means the amount of local revenues that a first nation has levied under its annual local revenue laws pursuant to the *First Nations Fiscal Management Act* excluding payments or grants in lieu of taxation;

7.9.1 Application of LRCR – Standard 7.9 applies only to first nations raising in excess of \$100,000 of local revenues under the *First Nations Fiscal Management Act*. First nations not raising in excess of \$100,000 of local revenues under the *First Nations Fiscal Management Act* are exempt from compliance with this Standard.

What will the new Standards say?

7.1 Definitions – In this Standard 7.0: [...]

“**local revenues collected**” means the amounts, generally reported by first nation management, that a first nation has collected under its annual local revenue laws pursuant to the *First Nations Fiscal Management Act* **or the *Indian Act***, excluding payments or grants in lieu of taxation, and where uncollected revenues are considered as those amounts outstanding at the time of the review;

“**local revenues levied**” means the amount of local revenues that a first nation has levied under its annual local revenue laws pursuant to the *First Nations Fiscal Management Act* **or the *Indian Act***, excluding payments or grants in lieu of taxation;

7.9.1 Application of LRCR – Standard 7.9 applies only to first nations raising in excess of \$100,000 of local revenues under the *First Nations Fiscal Management Act* **or the *Indian Act***. First nations not raising in excess of \$100,000 of local revenues under the *First Nations Fiscal Management Act* or the *Indian Act* are exempt from compliance with this Standard.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to the Financial Performance Standards that clarifies that the LRCR applies to laws made under either the FMA or the *Indian Act*?

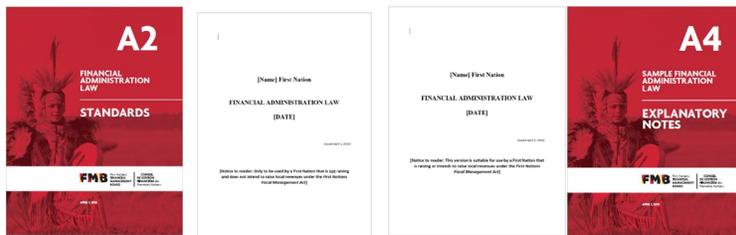
16.3 Tax administrator reporting relationship

The existing Standards require the tax administrator to report to the senior manager or senior financial officer, however it has been observed that this is sometimes in conflict with the First Nation government's existing property taxation laws, which require the tax administrator to report directly to Council.

What is changing and how will it impact First Nation governments?

The proposed amendments will allow the flexibility for reporting directly to Council, if this is a requirement of the First Nation government's property taxation laws. Reporting directly to Council is viewed as a higher threshold than current requirement.

What Core Documents does it impact?



The proposed changes primarily impact the FAL Standards, but there will also be consequential amendments to the Sample FALs and the Sample FAL Explanatory Notes.

What do the current Standards say?

The example below illustrates the wording from the existing FAL Standards and the box that follows shows how the Standards will look with the proposed changes. Refer to the red-line documents for final proposed changes to the FAL Standards and changes to the other impacted Core Documents.

11.3.2 Reporting relationship – A FAL requires the tax administrator to report directly to the senior financial officer or the senior manager in the performance of the tax administrator's duties under the first nation's local revenue laws, the Act and the FAL.

What will the new Standards say?

11.3.2 Reporting relationship – A FAL requires the tax administrator, in the performance of the tax administrator's duties under the first nation's local revenue laws, the Act and the FAL, to report directly to **one of the following**: the senior financial officer, ~~or~~ the senior manager **or the council**.

Have your say

Follow the [survey link](#) to let the FMB know what you think about this proposed change.

Do you agree with the proposed amendment to clarify what options exist for the reporting relationship for the tax administrator?

Other proposed changes

In addition to the proposed changes outlined above, the FMB is proposing to make various other non-substantive changes to the Core Documents. These changes are editorial in nature and primarily serve to either clarify the wording in a standard or update the terminology used in the standards. Appendix A at the end of this document summarizes these editorial changes.

Timing of adoption of proposed changes

The FMB's Standard Setting Guidelines require that the effective date for any new or amended standards be set so that those applying the Standards have sufficient time to prepare for the new requirements. The majority of the amendments proposed herein are anticipated to have a positive effect for FMB's prospective clients, existing clients and other stakeholders. The amendments provide additional clarity to existing standards and also decrease some of the requirements currently in place within the existing Standards. However, some of the proposed amendments create new requirements and the FMB wants to allow First Nation governments sufficient time to make these changes. The FMB is proposing to make the amendments effective April 1, 2020. Despite the extended implementation period, First Nation governments will have the option to early adopt the full suite of amendments at any time before the effective date, should they choose to do so.

The extended implementation period will allow First Nation governments time to introduce any new requirements contained within the proposed amendments. During the implementation period the FMB expects to develop guidance, tools and templates for the new requirements to assist First Nation governments with implementation. Table 2 below sets out the proposed amendments that account for the extended implementation period and their expected impact on First Nation governments.

Table 2 – New requirements with extended implementation periods

#	Description	Expected impact on First Nation governments
1.1	New requirement to report on social and economic objectives and outcomes in the annual report	This proposal introduces a new requirement for the annual report. The extended implementation period will allow First Nation governments time to introduce reporting on social and economic objectives within the annual report. The first Annual Report that will be impacted by the new requirements will be for the 2020-2021 fiscal year with expected publication date, according to the Standards, on or before September 27, 2021.

#	Description	Expected impact on First Nation governments
4.1	New requirement for the development and periodic updating of a strategic plan.	This proposal introduces a new requirement for the development and periodic updating of a community strategic plan. Currently the requirement for a strategic plan is only reflected in the FMS Standards. The extended implementation period will allow First Nation governments time to establish or update a strategic plan. Note that for First Nation governments who have adopted FMB's sample FAL as their own, or who are pursuing FMS Certification, that strategic planning is already a requirement.
6.1	New requirement for independent review of financial institution account reconciliations.	This proposal introduces a new requirement for the independent review of financial institution account reconciliations. The extended implementation period will allow First Nation governments time to introduce this new procedure into the monthly account reconciliation process. First Nation governments who have adopted the FMB's sample policies will not be impacted by this change, as it is already a requirement within the sample policies.
7.1	Establish performance measures, incentives and rewards	This proposal introduces a new requirement for the establishment of performance measures, incentives or rewards for all responsibility levels by the First Nation government. The extended implementation period will allow First Nation governments time to establish a policy and implement the changes beginning in the 2019-2020 fiscal year.
11.1	Create procedures for the disclosure of conflicts of interest by councillors and non-councillors	This proposal introduces a new requirement for Council to establish procedures around the disclosure of conflicts of interest by councillors. The requirements for making these disclosures already exist in the FAL Standards and therefore this amendment is only requiring Council to establish documented procedures. The implementation of this new requirement is not expected to be onerous and the extended implementation period allows First Nation governments sufficient time to establish a new procedure.
11.2	New requirement for positive confirmation of potential conflicts of interest	This proposal introduces a new requirement for positive confirmation as part of the annual compliance declaration process. This creates a new requirement for councillors, officers, employees, committee members, contractors and agents to annually disclose potential conflicts of interest or to declare that they do not have any conflicts of interest. The implementation of this new requirement is not expected to be onerous and the extended implementation period allows First Nation governments sufficient time to establish a new procedure.

#	Description	Expected impact on First Nation governments
15.2	Additional minimum FAL provisions in force for FP Certification	This proposal increases the number of FAL provisions that will come into force when a First Nation government applies for FP Certification. This change is to align FMB's process with the eligibility requirements of ISC's new 10-year grant program. Having additional FAL provisions come into force will require additional time and financial resources for First Nation governments. The extended implementation period will allow First Nation governments time to prepare for the new requirements.
16.1	New disclosure requirement in annual local revenue financial statements	This proposal introduces a new requirement to disclose the nature of any contingency expenditures in the Local Revenue Financial Reporting Standards. The first annual local revenue financial statements that will be impacted by the new requirements will be those that are prepared for reporting periods beginning on or after April 1, 2020.

Have your say

Follow the [survey link](#) to let the FMB know what you think about the proposed effective date of these change.

Do you agree with the proposed effective date of April 1, 2020 for the changes outlined in this document?

Comments requested

As a matter of policy, the FMB seeks input from stakeholders prior to introducing or significantly amending its standards. This input is critical in developing standards that are relevant to stakeholders and responsive to their needs. Feedback sent to the FMB can lead to changes to a final standard.

The FMB welcomes comments on all aspects of these proposals. It is just as important for the FMB to know if stakeholders support a proposed standard as it is to know if there are any concerns about it. We request that where stakeholders disagree with a proposal, that they explain the issue and if possible, include a suggested alternative.

Comments and responses to the questions contained within this document are requested on or before Friday March 1, 2019.

For convenience, an [online survey](#) has been released with this document. Alternatively, written comments may be sent by email to: standards@fnfmb.com

Red-line versions of the FMB Core Documents

Separate red-line versions of the FMB Core Documents impacted by the changes being proposed in this document are being prepared. These will outline the actual changes to the Standards and Procedures that are described in this document. Once these red-line versions have been created they will be published separately for download on the Standard Setting page of the [FMB's website](#).

APPENDIX A – Other editorial amendments

#	Explanation of the proposed change	Existing wording in the Core Document	Proposed Changes
1	The FAL and FMS Standards contain requirements for Council to consider the risk of fraud. One particular Standard provides a listing of four types of fraud that could occur in any organization or business for Council to consider. Concerns have been raised that the existing wording could instead be interpreted to suggest that fraud is common to First Nation communities. This is by no means the intention. The proposed change modifies the wording to make this meaning clear that Council needs to consider whether the potential for fraud exists in these areas.	A2 - FAL Standards	A2 - FAL Standards
		17.7.2 Procedures for fraud risks - A <i>FAL</i> requires the Council to establish procedures for the identification and assessment of the following types of fraud in the first nation: [...]	17.7.2 Procedures for fraud risks - A <i>FAL</i> requires the Council to establish procedures for the identification and assessment of the following types of possible fraud in the first nation: [...]
		B2 - FMS Standards	B2 - FMS Standards
		19.7.2 Procedures for fraud risks - The Council demonstrates documented procedures for the identification and assessment of the following types of fraud in the first nation: [...]	19.7.2 Procedures for fraud risks - The Council demonstrates documented procedures for the identification and assessment of the following types of possible fraud in the first nation: [...]
2	The FAL Standards contain a definition for 'related body' however there are no FAL Standards that use this term. This term that was used within a previous FAL Standard that was removed effective April 1, 2014. This proposed change removes this definition from the Standards.	A2 - FAL Standards	A2 - FAL Standards
		3.1 Definitions – Unless the context indicates otherwise, in these standards: [...] “related body” means <ul style="list-style-type: none"> a. any agency of the first nation, b. any corporation in which the first nation has a material or controlling interest, c. any partnership in which the first nation or another related body of the first nation is a partner with a material or controlling interest, or d. a trust of the first nation; [...] 	3.1 Definitions – Unless the context indicates otherwise, in these standards: [...] “related body” means <ul style="list-style-type: none"> a. any agency of the first nation, b. any corporation in which the first nation has a material or controlling interest, c. any partnership in which the first nation or another related body of the first nation is a partner with a material or controlling interest, or d. a trust of the first nation; [...]

<p>3</p> <p>The FAL Standards contain a definition for “senior manager”. The same definition does not exist in the FMS Standards even though the term “senior manager” is used throughout. The proposed change adds the definition to the FMS Standards and provides additional clarity.</p>	<p>A2 - FAL Standards</p>	<p>A2 - FAL Standards</p>
	<p>3.1 Definitions – Unless the context indicates otherwise, in these standards: [...]</p> <p>“senior manager” means the band manager or general manager responsible for the day-to-day management or administration of the first nation’s administrative system; [...]</p>	<p>3.1 Definitions – Unless the context indicates otherwise, in these standards: [...]</p> <p>“senior manager” means the <u>senior administrative officer, band manager or general manager responsible for the day-to-day management or administration of the first nation’s administrative system; [...]</u></p>
	<p>B2 - FMS Standards</p>	<p>B2 - FMS Standards</p>
	<p><i>Definition does not exist in B2.</i></p>	<p>5.1 Definitions – Unless the context indicates otherwise, in these standards: [...]</p> <p><u>“senior manager” means the senior administrative officer, band manager or general manager responsible for the day-to-day management or administration of the first nation’s administrative system; [...]</u></p>

<p>4</p>	<p>The FMA and the FMB’s Local Revenue Financial Reporting Standards were recently amended in 2016 to offer a choice to First Nation governments levying local revenues under the FMA on how to report on those revenues. The amended FMA and the Local Revenue Financial Reporting Standards allow the use of segment reporting in the First Nation government’s annual financial statements as an alternative to preparing separate annual local revenue financial statements. The proposed amendment highlights this alternative option and aligns the existing requirements between the FAL Standards and the FMS Standards. The changes are for clarification purposes and will not have any impact on the existing local revenue financial reporting requirements for First Nation governments levying local revenues under the FMA.</p>	<p>A2 - FAL Standards</p>	<p>A2 - FAL Standards</p>
		<p>19.7.1 Audit – A FAL requires separate annual financial statements respecting local revenues of the first nation to be prepared and audited at least once each calendar year in accordance with the Board’s financial reporting standards for local revenues.</p> <p>19.7.2 Access to audit report – A FAL requires the audited annual financial statements of local revenues, including the audit report, to be made available to persons referred to in section 14(2) of the Act.</p> <p>19.7.3 Optional reporting – Despite standard 19.7.1, a FAL may permit the financial reporting of local revenues to be included as a distinct segment of the activities that appear in the audited annual financial statements of the first nation if the Board’s financial reporting standards for local revenues permit the first nation to elect that financial reporting option.</p> <p>19.7.4 Access where optional reporting – If a FAL permits a first nation to exercise the option referred to in standard 19.7.3, a FAL requires the audited annual financial statements of the first nation to be made available to the persons referred to in section 14(2) of the Act.</p>	<p>19.7.1 Audit – A FAL requires separate annual financial statements respecting local revenues of the first nation to be prepared and a. the first nation to prepare a financial report on its local revenues that is audited at least once in each calendar year in accordance with the Board’s financial reporting standards for local revenues.</p> <p>b. the financial report to be in the form of separate audited annual financial statements for local revenues or, if permitted in the Board’s financial reporting standards for local revenues, a distinct segment of the activities that appear in the audited general annual financial statements of the first nation, and</p> <p>c. the audited financial report to be made available to the persons referred to in section 14(2) of the Act.</p> <p>19.7.2 Access to audit report – A FAL requires the audited annual financial statements of local revenues, including the audit report, to be made available to persons referred to in section 14(2) of the Act.</p> <p>19.7.3 Optional reporting – Despite standard 19.7.1, a FAL may permit the financial reporting of local revenues to be included as a distinct segment of the activities that appear in the audited annual financial statements of the first nation if the Board’s financial reporting standards for local revenues permit the first nation to elect that financial reporting option.</p> <p>19.7.4 Access where optional reporting – If a FAL permits a first nation to exercise the option referred to in standard 19.7.3, a FAL requires the audited annual financial statements of the first nation to be made available to the persons referred to in section 14(2) of the Act.</p>
		<p>B2 - FMS Standards</p>	<p>B2 - FMS Standards</p>
		<p><i>No impact on related FMS Standard 35.1</i></p>	<p><i>No impact on related FMS Standard 35.1</i></p>

5	The change being proposed clarifies that councillors themselves are not responsible for the preparation of the organizational chart, rather they are accountable to ensure that the preparation of the organizational chart occurs.	B2 - FMS Standards 12.5.1 Current chart – The Council demonstrates that it has prepared a current organization chart that accurately depicts the following: [...]	B2 - FMS Standards 12.5.1 Current chart – The Council demonstrates that it has prepared a current organization chart has been prepared that accurately depicts the following: [...]
6	Presently the FAL and FMS Standards state that the senior financial officer reports directly to the senior manager or to the council. The existing wording implies a choice; however, the reporting lines will have been set in the FAL. The proposed change improves the interpretation of this Standard by directing the reader back to the FAL to determine who the correct party is as that is ultimately where it is defined.	A2 - FAL Standards 11.2.2 Reporting relationship – A FAL requires the senior financial officer to report directly to the senior manager or the council. B2 - FMS Standards 12.2 Senior financial officer – The Council demonstrates that [...] <ul style="list-style-type: none"> b. the senior financial officer reports directly to the senior manager or to the council, and [...] 	A2 - FAL Standards 11.2.2 Reporting relationship – A FAL requires the senior financial officer to report directly to the senior manager or the Council as stated in the FAL . B2 - FMS Standards 12.2 Senior financial officer – The Council demonstrates that [...] <ul style="list-style-type: none"> b. the senior financial officer reports directly to the senior manager or to the Council as stated in the FAL, and [...]
7	The title of existing FMS Standard 18.4.2 “Account payable procedure” could be seen as limiting the requirements to the accounts payable process; however, the intention of the Standard is that it should apply to the entire expenditures process, including accounts payable. The proposed change expands the wording in the FMS Standards to be more broad and inclusive.	B2 - FMS Standards 18.4.2 Account payable procedure – The Council establishes and implements a documented procedure for the accounts payable process as follows: [...]	B2 - FMS Standards 18.4.2 Expenditure and accounts payable procedures – The Council establishes and implements a documented procedure s for the expenditure and accounts payable process es as follows: [...]

<p>8</p>	<p>The FMS Standards do not currently specify the minimum requirement for the content or format of the Annual Report. However, the FAL Standards contain prescriptive requirements for that Annual Report. The proposed change will amend the FMS Standards to reflect the requirements already contained within the FAL Standards. This will not change the requirements for a First Nation government, as the minimum Annual Report content would have already been set out in their FAL in accordance with the FAL Standards. Consistency between the FAL and FMS Standards provides users of our standards more clarity on what is required.</p>	<p>B2 - FMS Standards FMS B2 – <i>No existing Standards in B2.</i></p>	<p>B2 - FMS Standards <u>[# TBD] Content of annual report – The Council demonstrates that the annual report referred to in standard 22.0</u> a. <u>includes the following</u> i. <u>a description of the services and operations of the first nation; and</u> ii. <u>a progress report on any established social and economic objectives and performance measures and outcomes of the first nation; and</u> b. <u>includes or incorporates by reference</u> i. <u>all audited annual financial statements of the first nation for the previous fiscal year; and</u> ii. <u>the special purpose reports referred to in standard 20.6.</u></p>
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9	<p>The auditor qualification requirements contained within the Standards require the auditor to be in good-standing with their provincial or territorial professional accounting body. The Standards have not been updated since the unification of the professional accounting designations across Canada under CPA Canada. The proposed changes remove references to the previous professional accounting organizations, but does not change the requirement that the auditor must be in good standing with their provincial or territorial CPA organization.</p>	<p>A2 - FAL Standards</p> <p>19.2.2 Qualifications – A FAL requires the auditor [...]</p> <p>b. to be a public accounting firm or public accountant</p> <p>i. in good standing with the Chartered Professional Accountants of Canada, the Canadian Institute of Chartered Accountants, the Certified General Accountants Association of Canada or the Society of Management Accountants of Canada and their respective counterparts in the province or territory in which the public accounting firm or public accountant is practicing, and [...]</p>	<p>A2 - FAL Standards</p> <p>19.2.2 Qualifications – A FAL requires the auditor [...]</p> <p>b. to be a public accounting firm or public accountant</p> <p>i. in good standing with the provincial or territorial organization of the Chartered Professional Accountants of Canada, the Canadian Institute of Chartered Accountants, the Certified General Accountants Association of Canada or the Society of Management Accountants of Canada and their respective counterparts in the province or territory in which the public accounting firm or public accountant is practicing, and [...]</p>
10	<p>Unless specified in the ‘Scope and Application’ section of a First Nation government’s FAL, a First Nation government’s for-profit-activities do not fall under the scope of application of the FMB’s standards. There has been confusion that FMS Standard 19.1.3 could be interpreted to extend the applicability of the FMB’s standards to separate legal entities of the First Nation undertaking for-profit activities. The proposal clarifies the Standard to avoid any confusion that the FMS Standards apply to the conduct of operations of separate business entities. The purpose of Standard 19.1.3 is to evaluate whether the First Nation government has made its investments in for-profit entities within the restrictions specified by the FAL.</p>	<p>A2 - FAL Standards</p> <p><i>Related FAL Standard 17.1 not impacted by the proposed amendments.</i></p> <p>B2 - FMS Standards</p> <p>19.1.3 Compliance with FAL, etc. – The Council demonstrates that any for-profit activities of the first nation are being conducted in accordance with the requirements of the FAL and any applicable Council policies or procedures.</p>	<p>A2 - FAL Standards</p> <p><i>Related FAL Standard 17.1 not impacted by the proposed amendments.</i></p> <p>B2 - FMS Standards</p> <p>19.1.3 Compliance with FAL, etc. – The Council demonstrates that any for-profit activities of the first nation are being conducted the first nation has made its investments in for-profit businesses in accordance with the requirements limitations of the FAL and any applicable Council policies or procedures.</p>

11	FMS Standard 34.1 combines two separate requirements for local revenue reporting and local revenue accounting within one standard. Separate local revenue reporting is already covered under Standard 35.0. The change removes the local revenue reporting requirement from the standard.	A2 - FAL Standards <i>Related FAL Standard 18.2.1 not impacted by the proposed amendments.</i>	A2 - FAL Standards <i>Related FAL Standard 18.2.1 not impacted by the proposed amendments.</i>
		B2 - FMS Standards 34.1 Separate account – The Council demonstrates that the local revenues of the first nation are being accounted for and reported on separately from the first nation’s other moneys in accordance with the requirements of the FAL, the Act and the Board’s financial reporting standards for local revenues.	B2 - FMS Standards 34.1 Separate account accounting – The Council demonstrates that the local revenues of the first nation are being accounted for and reported on separately from the first nation’s other moneys in accordance with the requirements of the FAL, and the Act and the Board’s financial reporting standards for local revenues.
12	The Sample FAL unintentionally exposes First Nation governments to considering ‘Access to Information’-type requests from “any persons”; something that they are not presently subject to. The change removes the references to “any persons” to limit the application of this FAL provision.	A3 – Sample FAL (with Local Revenue) Record Keeping and Maintenance (4) The Council must establish policies and procedures or give directions respecting access of any persons to First Nation’s records.	A3 – Sample FAL (with Local Revenue) Record Keeping and Maintenance (4) The Council must establish policies and procedures or give directions respecting access of any persons to First Nation’s records.
		A3 – Sample FAL (with Local Revenue) 88. In this Part: “capital project” means the construction, rehabilitation or replacement of the First Nation’s tangible capital assets and any other major capital projects funded by local revenues in which the First Nation or its related bodies are investors;	A3 – Sample FAL (with Local Revenue) 88. In this Part: “capital project” means the construction, rehabilitation or replacement of the First Nation’s tangible capital assets and any other major capital projects funded by local revenues financed in whole or in part by which the First Nation or its related bodies are investors;
13	Section 88 of the Sample FAL limits the scope of Part V – Capital Projects to only those capital projects that are ‘funded by local revenue’; whereas the related FAL Standard 22.0 does not contain this narrow scope. The cost of acquiring or constructing a tangible capital asset is normally financed through some combination of cash or debt – an entity does not ‘invest’ in TCA like it would with financial instruments (e.g. shares or units of ownership). An additional change is being proposed to this same FAL provision to avoid this misuse of the term ‘investors’.	A3 – Sample FAL (with Local Revenue) 88. In this Part: “capital project” means the construction, rehabilitation or replacement of the First Nation’s tangible capital assets and any other major capital projects funded by local revenues in which the First Nation or its related bodies are investors;	A3 – Sample FAL (with Local Revenue) 88. In this Part: “capital project” means the construction, rehabilitation or replacement of the First Nation’s tangible capital assets and any other major capital projects funded by local revenues financed in whole or in part by which the First Nation or its related bodies are investors;

<p>14</p>	<p>Since the FAL Standards do not require a FAL to contain any reference to a trust, the references to a trust used in the Sample FAL are entirely optional. They have been included to provide recommended direction on how to manage any trust assets or income that the First Nation government either controls or administers on behalf of a beneficiary. A4 Explanatory Notes are being updated to inform readers that in accordance with the FAL Standards any references to a trust can be omitted if considered appropriate to do so.</p>	<p>A4 – FAL Explanatory Notes FAL Explanatory Notes to be revised</p>	<p>A4 – FAL Explanatory Notes FAL Explanatory Notes to be revised</p>
<p>15</p>	<p>At the time of approving the inaugural FMS Certificate the FMB’s Board of Directors agreed that it would not be appropriate to attach a list of FMS deficiencies or matters of non-compliance to the report. Information on matters of non-compliance and recommendations are still provided to the First Nation government in a separate document. This proposed change is to remove this requirement from the reporting requirements in the B1 – FMS Certification Procedures.</p>	<p>B1 – FMS Certification Procedures 10.1 Required report – After making its determination under section 9.4 the Board will provide the first nation with a report required by section 50(2) of the Act setting out the following: [...] d. if the Board is of the opinion that the first nation was in compliance with the Financial Management System Standards, any observations the Board may have with respect to any unique factors or circumstances which could affect the first nation’s future compliance with the Standards; [...]</p>	<p>B1 – FMS Certification Procedures 10.1 Required report – After making its determination under section 9.4 the Board will provide the first nation with a report required by section 50(2) of the Act setting out the following: [...] d. if the Board is of the opinion that the first nation was in compliance with the Financial Management System Standards, any observations the Board may have with respect to any unique factors or circumstances which could affect the first nation’s future compliance with the Standards; [...]</p>

<p>16</p>	<p>The FP and FMS Certification Procedures were originally written in anticipation of outsourcing FP and FMS reviews to external contractors. This has never been the operating model used by the FMB nor is it expected to be. The need for preparing and issuing a 'Letter of Authority' is considered to be redundant given the working relationship that the FMB develops with each of its clients upon signing a Letter of Cooperation and receiving the necessary Council Resolutions. The proposal eliminates the redundant provision from the FP and FMS Certification Procedures. There is no impact on existing FP Certificate holders or FMS Certificate holders or a change to FMB's current FP or FMS review practices.</p> <p>The proposal eliminates the redundant provision from the FP and FMS Certification Procedures. There is no impact on existing FP Certificate holders or FMS Certificate holders or a change to FMB's current FP or FMS review practices.</p>	<p>C1 – Financial Performance Certification Procedures</p> <p>7.1 Appointment – On receipt of all documents required by these procedures for a request for the formal review of a first nation's financial performance, the Board will appoint a person from its list of approved reviewers and advise the first nation of the name and contact information of the reviewer.</p> <p>7.4 Letter of authority – The Board will issue a letter of authority to the reviewer with a copy to the first nation stating the scope of the review to be performed and the anticipated time period during which it will be conducted.</p>	<p>C1 – Financial Performance Certification Procedures</p> <p>7.1 Appointment – On receipt of all documents required by these procedures for a request for the formal review of a first nation's financial performance, the Board will appoint a person from its list of approved reviewers reviewer and advise the first nation of the name and contact information of the reviewer.</p> <p>7.4 Letter of authority— The Board will issue a letter of authority to the reviewer with a copy to the first nation stating the scope of the review to be performed and the anticipated time period during which it will be conducted.</p>
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