



First Nations  
**FINANCIAL  
MANAGEMENT  
BOARD**

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

# Changes to FMB Standards

*Basis for Conclusions*

Standards and Certification  
First Nations Financial Management Board  
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## Foreword

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 Standards, set the foundation under which the FMB grants Compliance Approvals for Financial Administration Laws, issues Financial Performance Certificates and issues Financial Management System Certificates.

From time to time, the FMB updates its Standards to remain relevant to the needs of First Nations and other First Nations Institutions. The changes to the FMB Standards outlined in this document were needed to remain responsive to feedback from First Nations and to build on the FMB’s extensive experience to date.

The FMB announced the proposed changes in January 2019. Clients and stakeholders were invited to read about the proposed changes and to provide their comments and feedback to the FMB by mid-March 2019. The FMB reached out to clients and stakeholders using a variety of methods to inform them of the changes and to seek their comments. All of the feedback we received during the comment period was considered and analyzed to determine whether additional changes were necessary to the final FMB Standards. Based on the comments received, the FMB modified some of the proposals and those changes are reflected in this document.

The primary objective of this document is to set out how the FMB reached its final conclusions and highlight any revisions made to the final Standards as a result of the feedback we received. This document is intended to assist the FMB’s current and future clients and stakeholders in understanding the rationale followed by the FMB when updating the Standards.

The effective date for all of the new FMB Standards is April 1, 2019, with a transitional relief period for Financial Administration Laws and Financial Management System reviews in process at March 31, 2019.

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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 in areas of Financial Administration Law, Financial Performance, Financial Management System and Local Revenue Account Financial Reporting. The FMB has developed a collection 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 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 consists 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*

## Changes to the FMB Standards

The FMB improves its Standards to remain relevant to the needs of First Nations and other First Nations Institutions. The changes to the FMB Standards outlined in this document were needed to remain responsive to feedback from First Nations and to build on the FMB’s extensive experience to date.

The FMB announced the proposed changes in January 2019. Clients and stakeholders were invited to read about the proposed changes in the document, *FMB Standards: Summary of Proposed Changes and Invitation to Comment* and to provide their comments and feedback to the FMB by mid-March 2019. The FMB reached out to clients and stakeholders using a variety of methods to inform them of the changes and to seek their comments. We engaged clients and stakeholders through email notifications, online surveys, webinars and information posted to the FMB’s Standard-Setting webpage. The FMB also sought targeted feedback from key stakeholders, the First Nations Finance Authority, the First Nations Tax Commission, AFOA, the Assembly of First Nations and the Department of Indigenous Services Canada.

All of the feedback we received during the comment period was considered and analyzed to determine whether additional changes were necessary to the final FMB Standards. Based on the comments received, the FMB modified some of the proposals. The final changes to the FMB Standards are set out here in this document.

The FMB opted not to re-release the changes made to the original proposals for a second round of review and comment. The majority of the changes made were non-substantive and had the primary purpose of clarifying the wording in a standard or improving the relevance and achievability of the Standards.

### 1.0 Changes impacting Annual Report requirements

#### 1.1 Reporting on community 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 goals and members expect Council to be held accountable to these. The existing Standards do not contain any requirements for annual reporting on established objectives, other than financial objectives.

<p><b>Was there a change from what was originally proposed?</b></p>	<p><b>Yes. The original proposal was modified.</b></p>
<p><b>What was originally proposed?</b></p>	<p>The original proposal called for a new requirement in the FAL and FMS Standards for the Annual Report to incorporate reporting on <u>social and economic objectives</u>. The requirements would not be prescriptive about the content required and it would be up to First Nation governments to determine what this reporting will look like to best suit the needs of their own communities.</p>

<b>What will the new or amended requirements look like?</b>	A new requirement to report on progress towards the achievement of non-financial objectives will still be introduced, however it will <u>not</u> use the terms “social” or “economic” but rather “established objectives of the First Nation”. Reporting on the outcome of financial objectives remains a requirement of the existing Standards.
<b>Why was there a change to the original proposal?</b>	
The feedback we received showed overall support for the original proposal, however some comments expressed concerns about whether the terms “social” and “economic” may be too limiting and not allow the First Nation government enough flexibility. The objective of the new requirement is to increase accountability to members by expanding the Annual Report beyond financial reporting. First Nation governments should have the option to choose the terms that are meaningful to the First Nation.	

### 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 First Nation’s Financial Administration Law. 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.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a small change to the wording used in the Standards to align with the modification in 1.1 above.</b>
<b>What will the new or amended requirements look like?</b>	The FAL and FMS Standards will be amended to allow the annual audited financial statements and any required special purpose reports to be <u>incorporated by reference</u> into the Annual Report. What this means is that these financial reports will not need to be printed in the Annual Report and can be attached separately. If the reports are not included within the annual report they must be published separately and made available to members at the same time as the Annual Report.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• This does not change the requirement that an Annual Report or any of the other annual financial reports be prepared and published.</li> </ul>	

### 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.

Was there a change from what was original proposed?	<b>No. There was no change from the original proposal.</b>
What will the new or amended requirements look like?	The requirement in the FAL and FMS Standards to provide the Annual Report to the FMB will be eliminated. First Nation governments certified by the FMB will no longer be required to send a copy of their Annual Report to the FMB.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>The feedback we received showed mixed support for this change. Comments expressed concern about how the FMB would be able to monitor a First Nation government without receiving the Annual Report. The FMB <u>does not monitor</u> nor do we have the authority to monitor compliance with FMB Standards following Financial Performance or Financial Management System Certification. All of FMB's certification services are voluntary and at the request of the First Nation government.</li> <li>If the First Nation governments chooses to pursue FMS Certification, the FMB will request a copy of the Annual Report as part of that review.</li> </ul>	

## 2.0 Changes to the monthly financial reporting requirements

### 2.1 Monthly financial reporting to Chief & Council and the Finance and Audit Committee

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

Was there a change from what was originally proposed?	<b>Yes. The original proposal was modified.</b>
What was originally proposed?	The original proposal called for a change to the requirement in the FAL and FMS Standards to make monthly financial information available to Council and the Finance and Audit Committee (rather than be provided). It was proposed that monthly financial information be made available to Council and the Finance and Audit Committee <u>only upon request</u> .
What will the new or amended requirements look like?	The FAL and FMS Standards will be amended such that it will be up to the First Nation government to <u>draft in their FAL</u> who the monthly financial information is provided to, with a choice between the Council, the Finance and Audit Committee and the Chief Administrative Officer <sup>1</sup> (or any combination of those three). It will no longer be a requirement that the monthly financial information be made available to both the Council and the Finance and Audit Committee.

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<sup>1</sup> In the April 1, 2019 version of the Standards, the title of the Senior Manager role has been changed to Chief Administrative Officer

<b>Why was there a change to the original proposal?</b>
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for the original proposal.</li> <li>• For clarity, we have removed the “on request” requirement from the original proposal and will leave it up to the First Nation government to choose how they wish to draft the requirement in their own Financial Administration Law.</li> </ul>
<b>Other comments and clarifications</b>
<ul style="list-style-type: none"> <li>• There is no change to the requirement that a monthly financial report be prepared.</li> <li>• It will be up to the First Nation government to choose who receives this monthly financial report and set this out in their FAL. The First Nation government must choose between the Council, the Finance and Audit Committee and the Chief Administrative Officer (or a combination of those three). For example, a First Nation government may choose that the monthly report only needs to be provided to the Chief Administrative Officer, or they may choose to keep the existing requirement to make it available to the Council and the Finance and Audit Committee.</li> <li>• The FMB Standards do not contain requirements for what must be included in the monthly financial report, other than it must report on the “financial affairs” of the First Nation. It will continue to be up to the First Nation government to decide what this report should look like based on what information is most useful to them.</li> </ul>

### 3.0 Changes to other annual financial reports requirements

The existing Standards require, where applicable, several additional financial 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.

#### 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.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a small change to the wording used in the Standards.</b>
<b>What will the new or amended requirements look like?</b>	The FAL and FMS Standards will be changed to give First Nation governments the flexibility to choose their preferred level of auditor involvement in any required special purpose reports to best meet their own accountability needs.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• The change does not create any new reporting requirements or change the requirement that any applicable special purpose reports be prepared.</li> </ul>	



- 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 Use of GAAP for other types of financial reports

Presently the Standards require that the financial administration policies and procedures established by the First Nation government 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.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a small change to the wording used in the Standards.</b>
<b>What will the new or amended requirements look like?</b>	A new FAL Standard will be created that gives First Nation governments the flexibility to include in their FAL a provision that permits the preparation of non-GAAP financial reports.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed 100% support for this change.</li> <li>• This change was necessary to clarify that non-GAAP financial reports are allowed.</li> <li>• This change will not impact the existing requirement for First Nation governments to prepare their annual audited financial statements in accordance with GAAP.</li> </ul>	

## 4.0 Changes to strategic planning requirements

### 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. In contrast, the FMS Standards contain this requirement and a strategic plan is required for a First Nation government pursuing FMS Certification.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a change to the wording used in the FAL Standards to better align with the existing FMS Standard on strategic planning.</b>
<b>What will the new or amended requirements look like?</b>	A new FAL Standard will be introduced that requires a strategic plan to be developed and periodically updated with direct input from community members.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> </ul>	

- This change will not impact First Nation governments who are pursuing FMS Certification as strategic planning is already one of the requirements.
- 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.

## 5.0 Changes to policies and procedures requirements

### 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. In practice the FMB has found that this is an onerous and time consuming undertaking for Councils working towards implementation of their FALs.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a small change to the wording used in the Standards.</b>
<b>What will the new or amended requirements look like?</b>	The FAL and FMS Standards will be revised to allow Council to delegate the development of <u>procedures</u> to the Chief Administrative Officer <sup>2</sup> , while keeping the approval of the overall guiding <u>policy</u> a responsibility of Council. The Standards will require that an approved policy be in place before procedures are developed and the procedures must be consistent with the policy. The amendment will also allow Council to provide the Chief Administrative Officer with the authority to update the procedures as necessary to comply with its policies without requiring Council approval.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• First Nation governments may still choose to keep the higher standard of requiring policies <u>and</u> procedures to be reviewed and approved at the Council level.</li> <li>• While the new Standard will give the authority to approve new and amended procedures to the Chief Administrative Officer this individual will continue to have the ability to delegate this responsibility to other individuals to suit the practices of the First Nation.</li> </ul>	

### 5.2 Detailed procedures required by the FAL

The FAL Standards require a FAL to include specific provisions for effectively managing and controlling funds, revenues, expenditures, borrowings, and investments. These procedures can be

<sup>2</sup> In the April 1, 2019 version of the Standards, the title of the Senior Manager role has been changed to Chief Administrative Officer

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.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a small change to the wording used in the FAL Standards and consequential amendments to the FMS Standards to reflect the requirement to create a policy and procedures.</b>
<b>What will the new or amended requirements look like?</b>	The existing FAL Standards that require a First Nation government to establish detailed procedures directly in the FAL will be relaxed to allow this content to be contained within a policy and procedures rather than the FAL itself.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• First Nation governments may still choose to keep the detailed requirements in the FAL.</li> </ul>	

### 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 policies and procedures for all areas of financial management.

<b>Was there a change from what was original proposed?</b>	<b>No. There was no change from the original proposal.</b>
<b>What will the new or amended requirements look like?</b>	The requirement for an operations manuals will be removed from the FAL and FMS Standards.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed 100% support for this change.</li> <li>• The First Nation government may still wish to establish an operations manual that contains technical information as well as policies and procedures.</li> </ul>	

## 6.0 Changes to financial institution account reconciliation requirements

### 6.1 Independent review of bank reconciliations

The existing FMS Standards require the preparation of monthly reconciliations for all bank 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.

<b>Was there a change from what was originally proposed?</b>	<b>Yes. The original proposal was modified.</b>
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<p><b>What was originally proposed?</b></p>	<p>The original proposal called for a new requirement to be created for the independent review of bank account reconciliations in the FMS Standards.</p>
<p><b>What will the new or amended requirements look like?</b></p>	<ul style="list-style-type: none"> <li>• The FMS Standards will still be amended to require the independent review of bank reconciliations, however the wording will be clarified that this independent review must be performed by someone who is not in a reporting relationship to the preparer.</li> <li>• The current requirement that specifies that it is the responsibility of the Director of Finance<sup>3</sup> to prepare the bank reconciliation will be revised to remove the reference to the Director of Finance and leave this open to the First Nation to determine. Typically, it is the responsibility of the Director of Finance to review not prepare such a reconciliation.</li> <li>• The requirement to include all bank reconciliations in the quarterly financial reporting package will be eliminated from the FMS Standards.</li> </ul>
<p><b>Why was there a change to the original proposal?</b></p>	
<p>The feedback we received on the original proposal expressed concerns about who would be responsible for completing the independent review and what was meant by “independent”. For clarity, we have added the additional requirement that the independent review should be completed by someone who is not in a reporting relationship to the preparer. The reference to the Director of Finance as the bank reconciliation preparer has also been removed from the FMS Standards. It will be up to the First Nation to determine who is responsible for preparing and reviewing the bank reconciliations to best suit their own organizational structure and capacity. These responsibilities should be stated within the First Nation’s policies and procedures instead of the Standards or a FAL.</p>	
<p>An additional amendment was identified in the area of monitoring the bank reconciliation process. The existing FMS Standards require that the quarterly financial statements include the bank reconciliations for the previous quarter. This requirement was to ensure that bank reconciliations were being completed in a timely manner and that any reconciliation irregularities identified were being addressed. Given the change to the FMS Standards that will require the bank reconciliations be reviewed by someone other than the preparer, the requirement to include bank reconciliations in the quarterly reporting package will be eliminated.</p>	
<p><b>Other comments and clarifications</b></p>	
<ul style="list-style-type: none"> <li>• The division of responsibilities around the preparation and review of bank reconciliations should be done in accordance with good internal financial controls.</li> <li>• First Nation governments who have adopted the FMB’s sample policies will be minimally impacted by this change, as independent review of bank reconciliations is already a requirement within the sample policies.</li> </ul>	

<sup>3</sup> In the April 1, 2019 version of the Standards, the title of the Senior Financial Officer has been changed to Director of Finance

## 7.0 Changes to human resource management requirements

### 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.

<b>Was there a change from what was originally proposed?</b>	<b>Yes. The original proposal was removed.</b>
<b>What was originally proposed?</b>	The original proposal called for the creation of a requirement in the FAL and FMS Standards to establish performance measures, incentives or rewards. The proposed Standards would not be prescriptive and it would be up to First Nation governments to determine the best mix of performance measures, incentives or rewards, <i>if any</i> , to suit their needs and support the achievement of the First Nation's objectives.
<b>What will the new or amended requirements look like?</b>	No new requirement for establishing performance measures, incentives or rewards will be added to the Standards. Performance measures are addressed separately as part of the change in 7.2 below.
<b>Why was there a change to the original proposal?</b>	
The feedback we received did not support the reference to incentives or rewards in the Standards, even if these requirements were optional.	
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>Performance measures are addressed separately as part of the change in 7.2 below.</li> </ul>	

### 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.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a change to the wording of the Standards to reflect the change from 7.1 above.</b>
<b>What will the new or amended requirements look like?</b>	<p>The FMS Standards will be amended to establish a connection between performance expectations and performance evaluations, with a new Standard requiring that performance measures be established.</p> <p>The wording of the Standards will be revised to remove any reference to incentives and rewards due to the change in 7.1 above. The phrase 'disciplinary action' will be changed to 'corrective measures'.</p>

Other comments and clarifications	
<ul style="list-style-type: none"> <li>The feedback we received showed mixed support for this change, primarily on account of the inclusion of incentives and rewards in the proposed wording. The proposed change will go ahead without the reference to incentives or rewards.</li> <li>The amendment will not change the existing requirement in the FMS Standards to establish an employee evaluation process, but rather clarifies that the evaluation should be based on expected levels of performance (i.e. performance measures).</li> </ul>	

## 8.0 Changes to risk management requirements

The Standards currently contain detailed 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 Standards currently provide 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.

Was there a change from what was original proposed?	Yes. The proposed change remains the same, however there will be a small change to the wording of the FMS Standards and consequential amendments required to the FAL Standards.
What will the new or amended requirements look like?	The detailed listings of fraud risks will be eliminated from the FMS and FAL Standards.
Other comments and clarifications	
<ul style="list-style-type: none"> <li>The feedback we received showed overall support for this change.</li> <li>This amendment will not change the requirement for First Nation governments to consider and identify potential fraud risks.</li> </ul>	

### 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.

Was there a change from what was original proposed?	No. There was no change from the original proposal.
What will the new or amended requirements look like?	Some of the detailed requirements of the FMS Standards around reporting financial misconduct will be removed from the Standards.
Other comments and clarifications	
<ul style="list-style-type: none"> <li>The feedback we received showed overall support for this change.</li> </ul>	

- This change does not impact the requirement to report financial misconduct.

### 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 perform 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.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a small change to the wording of the Standards.</b>
<b>What will the new or amended requirements look like?</b>	The duplication that exists in the FMS Standards around ensuring qualified individuals are engaged in the financial management system of the First Nation will be eliminated.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• This change will not impact the risk management activities required to be carried out by the First Nation government.</li> </ul>	

## 9.0 Changes to investment management requirements

### 9.1 Limitations on investments and investment management strategy

The FAL Standard around investment management 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 the FMA. 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.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a small change to the wording of the Standards.</b>
<b>What will the new or amended requirements look like?</b>	The limitations in the FAL Standards around investment of other revenues will be removed.  A new requirement will be introduced in the FAL Standards to require Council to establish an investment strategy and decide which types of investments are appropriate to meet their desired investment outcomes.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• The FNFA is supportive of this change and does not present it with any increased intervention risk.</li> </ul>	

## 10.0 Changes to tangible capital asset requirements

### 10.1 Tangible capital asset life cycle planning

The existing FAL Standards are detailed 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 detailed requirements set out in the FAL Standards.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a change to the wording of the Standards from what was originally proposed.</b>
<b>What will the new or amended requirements look like?</b>	Some of the more detailed requirements around tangible capital asset life-cycle planning will be removed from the FAL Standards. First Nation governments will have the flexibility to reflect additional requirements within their policies and procedures instead.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• First Nation governments may choose to continue to include these items in their FAL.</li> </ul>	

## 11.0 Changes to conflict of interest requirements

### 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.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a small change to the wording of the Standards.</b>
<b>What will the new or amended requirements look like?</b>	The FMS Standards will include 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 FMS Standards.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• The requirement for councillors to disclose potential conflicts of interest already exists in the FAL Standards and the Sample FAL and they are not impacted by this change.</li> <li>• The amendment will not impact the requirement to make these disclosures, but only to create a procedure for these disclosures to be made.</li> </ul>	

### 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 the required disclosure.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The original proposal was modified.</b>
<b>What was originally proposed?</b>	The original proposal called for a new requirement to be introduced in the FAL and FMS Standards that would require positive confirmation of conflicts of interest as part of the annual compliance declaration process. This proposed change would create 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.
<b>What will the new or amended requirements look like?</b>	There will be no new requirement in the Standards for annual positive confirmation of conflicts of interest. The existing Standard to require disclosure of potential or actual conflicts of interest as they arise will be extended to include councillors.
<b>Why was there a change to the original proposal?</b>	
While the feedback we received showed overall support for this change, upon further consideration of the proposed new requirements it was determined that requiring all employees of the First Nation to complete a positive confirmation would be too onerous and of limited benefit. The Standard will continue to require disclosure of potential or actual conflicts as they arise and will be extended to include councillors as originally proposed.	

## 12.0 Changes to Financial Administration Law requirements

### 12.1 Provision of the FAL to the FNFA

Presently the FAL 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 FAL publicly available on the [FMB website](#) and provides the FAL to the [First Nations Gazette](#) for publication.

<b>Was there a change from what was originally proposed?</b>	<b>Yes. The original proposal was modified.</b>
<b>What was originally proposed?</b>	The original proposal changed the Standard by only requiring the First Nation to <u>make the FAL available</u> to the FNFA.
<b>What will the new or amended requirements look like?</b>	The Standard requiring a First Nation government to provide their FAL to the FNFA will be entirely eliminated.
<b>Why was there a change to the original proposal?</b>	
The feedback we received showed support for the original proposal. We determined that it was better to eliminate the Standard entirely as even the requirement to ‘make the FAL available’ was redundant with the fact that FALs are always available on the FMB’s website and are published in the First Nations Gazette.	

<b>Other comments and clarifications</b>
<ul style="list-style-type: none"> <li>• The FMB’s FAL Review Procedures will continue to require a signed Council Resolution that authorizes the FMB to publish the approved FAL.</li> <li>• The FNFA is supportive of this change.</li> </ul>

### 13.0 Changes to requirements to comply 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 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*.

<b>Was there a change from what was original proposed?</b>	<b>No. There was no change from the original proposal.</b>
<b>What will the new or amended requirements look like?</b>	References in the FAL and FMS Standards to comply with other legislation outside of the FMA will be eliminated.  The requirement to prepare a separate special purpose report on revenues derived under a Land Code created under the <i>First Nations Land Management Act</i> will also be eliminated.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• The amendment will not impact the requirement that the First Nation government comply with other applicable laws.</li> <li>• The First Nation government should follow GAAP with regards to the presentation and disclosure of revenue derived from land under a Land Code.</li> </ul>	

### 14.0 Changes to Financial Management System Certification requirements

#### 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.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a small change to the wording of the Standards.</b>
<b>What will the new or amended requirements look like?</b>	An exemption from the FMS self-assessment requirements will be introduced in the FMS Standards for First Nation governments seeking their first FMS Certificate.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• The self-assessment requirements will only be applicable for First Nation governments who already have an FMS Certificate from the FMB.</li> <li>• 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 as designed.</li> </ul>	

#### 14.2 Eliminate term of FMS Certificate

The existing FMS Certification Procedures state 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.

<b>Was there a change from what was original proposed?</b>	<b>No. There was no change from the original proposal.</b>
<b>What will the new or amended requirements look like?</b>	The three-year expiry date for an FMS Certificate will be eliminated from the FMS Standards.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• FMS Certificates are issued at a point in time and do not expire.</li> <li>• There will be no impact on existing FMS Certificate holders as the FMS Certificates themselves do not state an expiry date.</li> <li>• The FMB 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.</li> </ul>	

#### 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 an 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.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a small change to the wording of the Standards.</b>
<b>What will the new or amended requirements look like?</b>	The 'Periodic Reviews' section of the FMS Certification Procedures will no longer state that periodic reviews can be performed at the discretion of the FMB. Council will now have 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.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• The amendment will not impact existing FMS Certificate holders.</li> <li>• The FMB does not currently conduct any periodic reviews unless requested by Council.</li> </ul>	

## 15.0 Changes to Financial Performance Certification requirements

### 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 FP 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.

<b>Was there a change from what was original proposed?</b>	<b>No. There was no change from the original proposal.</b>
<b>What will the new or amended requirements look like?</b>	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 will be eliminated.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• The First Nation government will be expected to update its FAL as it works towards achieving an FMS Certificate.</li> </ul>	

### 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. The recently established eligibility requirements for a 10-year grant from the Department of Indigenous Services Canada, require numerous other FAL provisions to be in force.

<b>Was there a change from what was originally proposed?</b>	<b>Yes. The original proposal was removed.</b>
<b>What was originally proposed?</b>	The original proposal called for the alignment 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 would not have to amend their FAL in order to be eligible for a 10-year grant.
<b>What will the new or amended requirements look like?</b>	The FAL provisions required to be in force for FP Certification will not be changed from the existing requirements.
<b>Why was there a change to the original proposal?</b>	
Upon further consideration of the proposed new requirements it was determined that 10-year grant eligibility criteria should remain separate from any requirements pertaining to Financial Performance Certification and consequently access to becoming a borrowing member of the FNFA. The benefits from harmonizing this standard with 10-year grant eligibility criteria do not outweigh the potential disadvantages that might arise from changing the criteria used to permit access to the FNFA borrowing pool.	
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>First Nation governments applying for a 10-year grant with ISC will have to bring these provisions into force as part of the eligibility requirements for the grants.</li> </ul>	

## 16.0 Changes to local revenue requirements

The following amendments only apply to 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. The existing Local Revenue Financial Reporting Standards do not include a requirement that the supplementary note disclosures include information about contingency expenditures.

<b>Was there a change from what was originally proposed?</b>	<b>Yes. The original proposal was removed.</b>
<b>What was originally proposed?</b>	The original proposal called for the introduction of a new requirement in the Local Revenue Financial Reporting Standards to require the First Nation government to include a description of any contingency expenditures in the note disclosures of their local revenue financial statements.
<b>What will the new or amended requirements look like?</b>	There will be no new requirement in the Standards for additional disclosure around contingency expenditures.
<b>Why was there a change to the original proposal?</b>	
The feedback we received showed limited support for this proposal. Upon further consideration we determined that the change was unnecessary given the nature of	

contingency expenditures and existing disclosure requirements. Contingency expenditures are intended to provide flexibility and reduce the need for budget amendments. Each First Nation expenditure law “authorizes the expenditure of contingency amounts as necessary within any of the categories of expenditures set out in the Schedule.” Expenditures of contingency amounts would be reflected in the local revenue financial statements or segment report as an expenditure in the category that they were expended. This disclosure is sufficient in achieving transparency for taxpayers and members.

### 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*.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a small change to the wording of the Standards.</b>
<b>What will the new or amended requirements look like?</b>	The FP Standards will explicitly state that they apply 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.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• 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.</li> </ul>	

### 16.3 Tax administrator reporting relationship

The existing Standards require the tax administrator to report to the Chief Administrative Officer<sup>4</sup> or Director of Finance<sup>5</sup>, 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.

<b>Was there a change from what was original proposed?</b>	<b>Yes. The proposed change remains the same, however there will be a small change to the wording of the Standards.</b>
<b>What will the new or amended requirements look like?</b>	Flexibility will be introduced 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 existing property taxation laws.
<b>Other comments and clarifications</b>	
<ul style="list-style-type: none"> <li>• The feedback we received showed overall support for this change.</li> <li>• Reporting directly to Council is viewed as a higher threshold than current requirement.</li> </ul>	

### **New changes to the Standards resulting from feedback received**

Based on the feedback received from clients and stakeholders during the comment period, the FMB identified some additional changes to the FMB’s Standards that are explained below.

#### **Clarification of auditor responsibilities under the FAL**

The existing FAL Standards require that the engagement letter for the First Nation’s auditor include a requirement that the auditor confirm in writing that the financial statements and the audit comply with the FMB Standards and all applicable laws.

We received feedback from audit professionals asking for clarification of this Standard. From the audit profession’s perspective, the Standard appears to create a new obligation for the auditor to conduct a separate engagement to determine whether the First Nation’s financial statements and audit are in material compliance with the FMB’s Standards and all applicable laws.

The original intention of the Standard was never to create a requirement for a special assurance engagement or require the First Nation to engage the auditor to produce a separate report, but rather to ensure that the auditor was aware of the FAL and its requirements. It is expected that this understanding would allow the auditor to communicate to council any relevant matters of non-compliance observed the normal course of the financial statement audit.

The Standard does not adequately take into account the existing requirements in Canadian Auditing Standards (“CAS”) that requires an auditor to consider and report on matters of non-

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In the April 1, 2019 version of the Standards, the title of the Senior Manager role has be changed to Chief Administrative Officer

<sup>5</sup> In the April 1, 2019 version of the Standards, the title of the Senior Financial Officer has been changed to Director of Finance

compliance with laws and regulations that impact the financial statements being audited. CAS require that instances of identified or suspected non-compliance with laws and regulations that come to the auditor’s attention during the course of the audit be communicated in writing to Chief & Council.

In the absence of the changes described below, there is a risk that a FAL will create an obligation for the First Nation to engage its auditor (and incur additional fees) to conduct a compliance review of the FAL.

<b>What will the new or amended requirements look like?</b>	The FAL Standards will be revised to require that the auditor’s engagement letter be worded in accordance with Canadian Auditing Standards. The requirement to “confirm in writing” whether the financial statements and audit comply with Board standards and all applicable laws will be removed. Since the detailed engagement letter requirements will not be included in the FAL, the FMS Standards will be revised to include the requirements of CAS directly in the FMS Standards and will include a new requirement that the auditor be provided with a copy of the First Nation’s FAL.
<b>FAL Standards</b>	
<b>Existing FAL Standard</b>	<b>19.2.3 Engagement letter</b> – A <i>FAL</i> requires the auditor’s engagement letter to require the auditor <ol style="list-style-type: none"> <li>a. to confirm in writing that the financial statements and the audit comply with Board standards and all applicable laws, or</li> <li>b. to the extent they are not in compliance, to identify in writing consequential non-compliance matters.</li> </ol>
<b>New FAL Standard</b>	<b>21.4.3 Engagement letter</b> – A <i>FAL</i> requires the auditor’s engagement letter to <u>include the content required by Canadian generally accepted auditing standards.</u> <del>require the auditor</del> <ol style="list-style-type: none"> <li><del>a. to confirm in writing that the financial statements and the audit comply with Board standards and all applicable laws, or</del></li> <li><del>b. to the extent they are not in compliance, to identify in writing consequential non-compliance matters.</del></li> </ol>
<b>FMS Standards</b>	
<b>Existing FMS Standard</b>	<b>21.1.2 Auditor appointment</b> – The council demonstrates that it has <ol style="list-style-type: none"> <li>a. appointed an auditor for the first nation who meets the eligibility requirements of the FAL,</li> <li>b. documented the appointment of the auditor, and</li> <li>c. delivered an engagement letter to the auditor that contains the contents required by the FAL.</li> </ol>
<b>New FMS Standard</b>	<b>21.1.2 Auditor appointment</b> – The council demonstrates that it has <u>taken the following actions:</u> <ol style="list-style-type: none"> <li>a. appointed an auditor who meets the eligibility requirements of the FAL;</li> </ol>



	<p>b. documented the appointment of the auditor; <b>and</b></p> <p>c. delivered an engagement letter to the auditor that contains the contents required by the FAL <u>including the following:</u></p> <ul style="list-style-type: none"> <li>i. <u>the auditor must complete the audit in accordance with Canadian generally accepted auditing standards;</u></li> <li>ii. <u>the objective and scope of the audit;</u></li> <li>iii. <u>the auditor’s responsibilities;</u></li> <li>iv. <u>the First Nation’s management responsibilities;</u></li> <li>v. <u>the expected form and content of any reports issued by the auditor including that there may be circumstances in which a report may differ from those requirements;</u></li> <li>vi. <u>the auditor must communicate in writing to the council any matters that come to the auditor’s attention during the audit involving identified or suspected non-compliance with the laws applicable to the First Nation – other than inconsequential non-compliance matters; and</u></li> <li>vii. <u>the auditor must communicate in writing to the council any significant deficiencies in internal controls identified during the audit; and</u></li> </ul> <p>d. provided the auditor with a copy of</p> <ul style="list-style-type: none"> <li>i. <u>the First Nation’s FAL, and</u></li> <li>ii. <u>the FMB’s Local Revenue Financial Reporting Standards (if the auditor is auditing the local revenues financial report of the First Nation).</u></li> </ul>
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**Other comments and clarifications**

- Consequential amendments will be required to other FMB Standards impacted by this change.
- The auditor is required to conduct their audit of the First Nation’s annual financial statements in accordance with Canadian Auditing Standards.
- The First Nation’s auditor should be made aware of the existence of the Financial Administration Law.
- Some of the professional requirements contained in both CAS 250, *Consideration of laws and regulations in an audit of financial statements* and CAS 265, *Communicating deficiencies in internal control to those charged with governance and management* have been reflected in the changes above.

**Review and approval of the local revenue financial statements**

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

Requirements for the review, approval and signature of the First Nation’s annual financial statements and annual local revenue financial statements exist in the FAL and FMS Standards, but these requirements are not specified in the *Local Revenue Financial Reporting Standards*.

<p><b>What will the new or amended requirements look like?</b></p>	<p>Two new standards in the Local Revenue Financial Reporting Standards will be created to require the review and approval of the annual local revenue financial statements, as well as specify the signatories of the local revenue financial statements.</p>
<p><b>Existing Local Revenue Financial Reporting Standard</b></p>	<p><i>N/A – This is a new requirement. There are no existing Local Revenue Financial Reporting Standards on this topic.</i></p>
<p><b>New Standards</b></p>	<p><u><a href="#">10.1 Review and approval – Subject to any earlier dates specified in a first nation’s local revenue law or financial administration law, the first nation’s audited annual local revenue financial statements are reviewed and approved by council no later than one hundred twenty (120) days after the First Nation’s reporting year-end.</a></u></p> <p><u><a href="#">10.2 Signatories – The audited annual local revenue financial statements are signed by</a></u></p> <ul style="list-style-type: none"> <li><u><a href="#">a. the chief of the first nation or the council chairperson,</a></u></li> <li><u><a href="#">b. the chairperson of the finance and audit committee, if applicable, and</a></u></li> <li><u><a href="#">c. the director of finance.</a></u></li> </ul>
<p><b>Other comments and clarifications</b></p>	
<ul style="list-style-type: none"> <li>• The purpose of the change is to address a gap identified in the <i>Local Revenue Financial Reporting Standards</i>.</li> <li>• We expect that First Nations who already prepare local revenue financial statements will be minimally impacted by this change as it is likely already Council who approves and signs the annual local revenue financial statements.</li> <li>• Consequential amendments will be made to the Illustrative Local Revenue Financial Statements to include an area for signature and new required disclosures.</li> </ul>	

**Disclosure of subsequent events in the Local Revenue Financial Reporting Standards**

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

Standard 8.1 of the *Local Revenue Financial Reporting Standards* sets out the minimum requirements for disclosure in a First Nation’s local revenue financial statements. Currently there is no requirement for disclosure of subsequent events. This type of disclosure could be useful to a reader of the First Nation’s local revenue financial statement when there is a material subsequent event.

<p><b>What will the new or amended requirements look like?</b></p>	<p>A new disclosure requirement will be created in the <i>Local Revenue Financial Reporting Standards</i> to require the disclosure of subsequent events.</p>
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<p><b>Existing Local Revenue Financial Reporting Standard</b></p>	<p><b>8.1 Minimum disclosures</b> – The local revenue financial statements include, at a minimum, the following disclosures:</p> <ol style="list-style-type: none"> <li>a. description of local revenue activities – a brief description of the composition and purpose of local revenues and expenditures;</li> <li>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 <i>Act</i> and these standards); and</li> <li>c. any other relevant information that may assist readers of the statements.</li> </ol>
<p><b>New Standards</b></p>	<p><b>8.1 Minimum disclosures</b> – The local revenue financial statements include, at a minimum, the following disclosures:</p> <ol style="list-style-type: none"> <li>a. description of local revenue activities – a brief description of the composition and purpose of local revenues and expenditures;</li> <li>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 <i>Act</i> and these standards); <b>and</b></li> <li>c. <u>any events occurring between the date of the financial statements and the date of their completion that may have a significant effect on future local revenues; and</u></li> <li>d. any other relevant information that may assist readers of the statements.</li> </ol>
<p><b>Other comments and clarifications</b></p>	
<ul style="list-style-type: none"> <li>• The disclosure of subsequent events is considered a best practice and is a requirement under commonly used financial reporting frameworks.</li> <li>• The disclosure will only be required if there is such an event and it is considered by the preparer to be material.</li> </ul>	

### Other editorial changes

In addition to the changes outlined above, the FMB has made various other non-substantive changes to the FMB Standards. 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.



### Timing of adoption of new FMB Standards

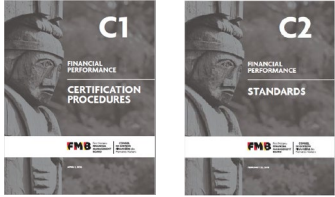

The changes to FMB's Standards will be effective beginning April 1, 2019. The majority of the amendments set out in this document are anticipated to have a positive effect for FMB's current and prospective clients. The amendments provide additional clarity to existing standards and also decrease some of the requirements currently in place within the Standards.

The FMB's *Standard Setting Guidelines* require a transition period between issuance of new Standards and the date they become effective to allow First Nation governments sufficient time to adopt any changes. The majority of the changes described in this document are intended to

benefit prospective clients while having a limited impact on existing clients in the short-term. The FMB has opted to bring the changes into effect immediately on April 1, 2019 following approval by the FMB's Board. A delayed effective date with a longer transition period was considered, however based on the feedback we received, the advantages to current and prospective clients of bringing the Standards into effect immediately outweighed the alternative. The FMB has instead chosen to offer transitional relief to existing clients who are in the process of drafting their FALs or are actively working towards FMS Certification. The effective date and transitional relief periods of FMB's new Standards are described in the table below. The impact of the changes on clients with existing FALs and Certificates is described in the section that follows.

During the period following the release of the new Standards, the FMB expects to develop and update guidance, tools and templates for the new requirements to assist First Nation governments with implementation.

FMB Standards	Effective date	Additional comments
 <p><b>A1 – FINANCIAL ADMINISTRATION LAW REVIEW PROCEDURES</b></p> <p><b>A2 – FINANCIAL ADMINISTRATION LAW STANDARDS</b></p>	<p><b>April 1, 2019*</b></p> <p><b>*with transitional relief provided</b></p>	<p>After considering the responses from First Nations, the FMB has opted to bring the changes into effect on April 1, 2019. The new FAL Review Procedures and Standards will apply to all new FALs developed on or after April 1, 2019, except in situations described below.</p> <p>A First Nation with a FAL under development as at March 31, 2019 will have until <u>June 30, 2019</u> to receive compliance approval under the previous April 1, 2016 FAL Standards. First Nations with FALs under development can also choose to adopt the new April 1, 2019 FAL Standards.</p>
 <p><b>B1 – FINANCIAL MANAGEMENT SYSTEM CERTIFICATION PROCEDURES</b></p> <p><b>B2 – FINANCIAL MANAGEMENT SYSTEM STANDARDS</b></p>	<p><b>April 1, 2019*</b></p> <p><b>*with transitional relief provided</b></p>	<p>After considering the responses from First Nations, the FMB has opted bring the changes into effect on April 1, 2019. The new FMS Certification Procedures and Standards will apply to all new FMS Certifications that begin on or after April 1, 2019, except for the circumstances described below.</p> <p>The changes to the FMS Standards do create some new requirements and therefore the FMS Standards will have an extended transition period. First Nations will have until <u>March 31, 2020</u> to receive an FMS Certificate under the previous April 1, 2016 FMS Standards. First Nations can also choose to adopt the new April 1, 2019 FMS Standards.</p>

FMB Standards	Effective date	Additional comments
 <p><b>C1 – FINANCIAL PERFORMANCE CERTIFICATION PROCEDURES</b></p> <p><b>C2 – FINANCIAL PERFORMANCE STANDARDS</b></p>	<p><b>April 1, 2019</b></p>	<p>The changes to the FP Standards are described in sections 15.1 and 16.2 in this document. There is no impact to First Nations who have already achieved FP Certification and the changes are intended to benefit prospective FP Certification clients. The changes come into effect on April 1, 2019.</p>
 <p><b>D1 – LOCAL REVENUE FINANCIAL REPORTING STANDARDS</b></p>	<p><b>April 1, 2019</b></p>	<p>The changes to the Local Revenue Financial Reporting Standards described in this document will have a minimal impact on First Nations who prepare separate local revenue financial statements.</p> <p>First Nations preparing separate local revenue financial statements will be expected to apply the new requirements for reporting periods beginning on or after April 1, 2019.</p>

## Who will be impacted by the changes?

### Existing FALs and Certificate holders

<p><b>First Nations with existing FALs</b></p>	<ul style="list-style-type: none"> <li>Existing FALs <u>are not impacted</u> by the changes.</li> <li>However, First Nations who have an FP or FMS Certificate from the FMB are required by their FAL to stay in compliance with the FMB's Standards. First Nations who are Certificate holders are encouraged to update their FAL to the new Standards beginning April 1, 2019.</li> <li>First Nations with existing FALs that do not hold a Certificate from the FMB are not required to update their FALs unless they choose to do so. A First Nation may wish to update their FAL to reflect the best practices and clarifications brought in by the new April 1, 2019 FAL Standards.</li> <li>All FAL updates require Compliance Approval from the FMB.</li> </ul>
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<p><b>First Nations with existing Financial Management System Certificates</b></p>	<ul style="list-style-type: none"> <li>Existing FMS Certificates <u>are not impacted</u> by the changes.</li> <li>First Nations who have an FMS Certificate from the FMB are required by their FAL to stay in compliance with the FMB's Standards.</li> <li>First Nations may wish to update their FAL and their FMS policies and procedures to reflect the best practices and clarifications brought in by the new April 1, 2019 Standards.</li> </ul>
<p><b>First Nations with existing Financial Performance Certificates</b></p>	<ul style="list-style-type: none"> <li>Existing FP Certificates <u>are not impacted</u> by the changes.</li> <li>First Nations who have an FP Certificate from the FMB are required by their FAL to stay in compliance with the FMB's Standards.</li> <li>First Nations who are FP Certificate holders will be encouraged to update their FAL to the new Standards beginning April 1, 2019.</li> </ul>

**New or amended FALs on or after April 1, 2019**

<p><b>First Nations seeking compliance approval for a new or updated FAL on or after <u>April 1, 2019</u> with a FAL in development as at <u>March 31, 2019</u></b></p>	<ul style="list-style-type: none"> <li>A First Nation with a FAL under development as at March 31, 2019 will have until <u>June 30, 2019</u> to receive compliance approval under the previous April 1, 2016 FAL Standards.</li> <li>First Nations with FALs under development can also choose to adopt the new April 1, 2019 FAL Standards.</li> <li>After June 30, 2019, all First Nations seeking compliance approval for a FAL will need to demonstrate compliance with the new April 1, 2019 FAL Standards.</li> </ul>
<p><b>First Nations seeking compliance approval for a new or updated FAL on or after <u>April 1, 2019</u></b></p>	<ul style="list-style-type: none"> <li>First Nations that did not have a FAL under development as at March 31, 2019 (as described above) will need to demonstrate compliance with the new April 1, 2019 FAL Standards.</li> </ul>

**New FP Certification reviews on or after April 1, 2019**

<p><b>First Nations seeking FP Certification on or after <u>April 1, 2019</u></b></p>	<p>First Nations seeking Financial Performance Certification from the FMB on or after April 1, 2019 will need to demonstrate compliance with the new April 1, 2019 FP Standards.</p>
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**New FMS Certification reviews on or after April 1, 2019**

<p><b>First Nations seeking FMS Certification on or after <u>April 1, 2019</u></b></p>	<ul style="list-style-type: none"> <li>First Nations seeking FMS Certification from the FMB on or after <u>April 1, 2019</u> can continue to demonstrate compliance with the April 1, 2016 FMS Standards until <u>March 31, 2020</u>.</li> <li>First Nations have the option to adopt the April 1, 2019 FMS Standards at any time before the March 31, 2020 transition date, should they choose to do so.</li> <li>First Nations who are applying for FMS Certification under the transition provisions with FALs that meet the April 1, 2016 FAL Standards will be not required to update their FALs to the April 1, 2019 FAL Standards.</li> <li>First Nations who are applying for FMS Certification under the transition provisions with FALs that pre-date the April 1, 2016 FAL Standards will be required to update their FALs to the April 1, 2016 or the April 1, 2019 FAL Standards.</li> </ul>
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- If the First Nation has chosen to update their FAL to the new April 1, 2019 FAL Standards, then they must demonstrate compliance with the April 1, 2019 FMS Standards.

### **Final versions and red-line versions of the FMB Standards**

The final versions of the April 1, 2019 FMB Standards reflecting the changes described in this document have been published separately and are available for download on the 'Standards' page of the [FMB's website](#).

Separate red-line versions FMB Standards highlighting the changes from the April 1, 2016 versions of the Standards to the April 1, 2019 versions of the Standards have also been published and are available for download on the '2019 Changes to FMB Standards' page of the [FMB's website](#).

### **Sample policies and other guidance**

The sample policies and other guidance will be updated and released over the course of fiscal 2019-2020. Once these documents have been updated they will be published in the Tools and Templates areas of the [FMB's website](#).