

10-Year Grant Monitoring Framework

February 28, 2020



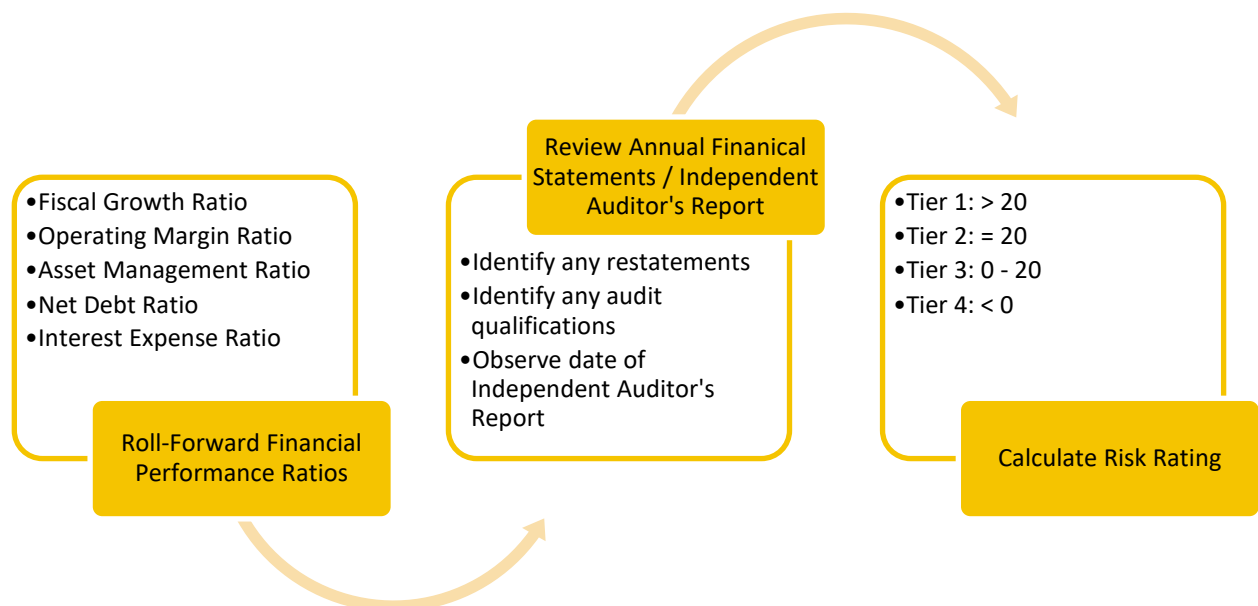
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1.0 Executive Summary

The First Nations Financial Management Board (“the FMB”) has agreed to provide 10-year grant monitoring services to Indigenous Services Canada (“ISC”) as part of the Memorandum of Understanding dated November 6, 2018. This annual monitoring by the FMB will take into account the roles of all three parties: ISC, the grant recipient and the FMB. It will also consider the terms and conditions contained in the 10-year grant agreement. On an annual basis, the FMB will perform a limited scope review of a grant recipient’s financial performance. While this monitoring will not include any implementation testing, it could be supplemented by the completion of a compliance self-assessment and/or management certification or attestation by each grant recipient. By reviewing the annual financial statements and the corresponding Independent Auditor’s Report, the FMB has developed a model that will identify the existence of potential risk factors. These risk factors will allow a multi-tiered approach to be used when the FMB is communicating monitoring results to ISC. These tiered risk ratings are intended to inform and contribute to meaningful capacity development discussions between grant recipients, ISC and the FMB. This risk-based monitoring framework is presented in Figure 1 below.

Figure 1 Monitoring Framework for 10-Year Grants



The FMB will contribute to the monitoring framework to be used by ISC by developing templates, including those that can be used for compliance self-assessments and management certification or attestation.

2.0 10-Year Grant Eligibility

With the announcement of the New Fiscal Relationship (“NFR”) developed jointly by the Assembly of First Nations (“AFN”) and the Government of Canada, made public in December 2017, the Government of Canada through ISC has committed to providing 10-year grants to First Nations beginning April 1, 2019. The grant funding, offered under the [Grant to support the new fiscal relationship for First Nations under the Indian Act](#) program authority, provides First Nations with more funding flexibility by replacing all core funding currently provided to First Nations by ISC. The grant is available to First Nations who demonstrate the ability to meet eligibility criteria co-developed by ISC, the AFN and the FMB. In order for a First Nation to be evaluated for grant eligibility, the First Nation must submit an expression of interest in writing to ISC requesting to be considered for a 10-year grant.

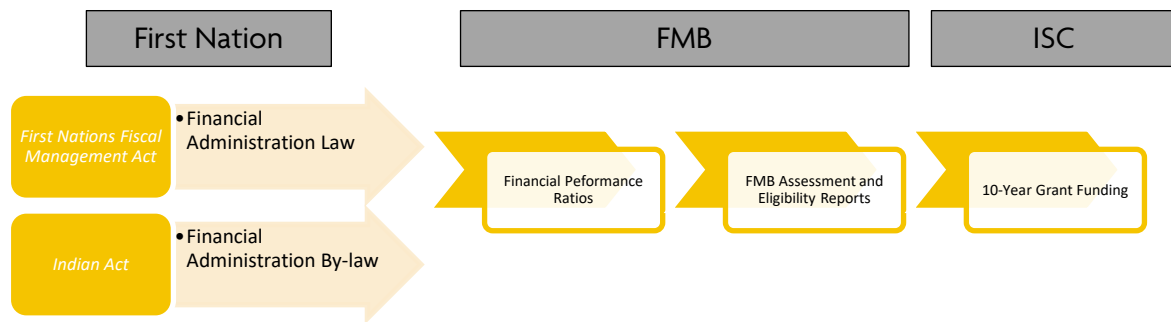
While ISC will make the final determination on a First Nation’s grant eligibility, the FMB will provide services under a Memorandum of Understanding¹ (“MOU”) with the Minister of Indigenous Services Canada and the Minister of Crown-Indigenous Relations (“the Ministers”) dated November 6, 2018 to evaluate and report on a grant applicant’s compliance with the eligibility criteria. The grant eligibility requirements that a First Nation will need to meet are as follows:

1. Enact either a Financial Administration Law (“FAL”) under section 9 of the *First Nations Fiscal Management Act* or a Financial Administration Bylaw (“FAB”) under section 83 of the *Indian Act* that meet the FMB’s Financial Administration Law Standards and ensure that specific provisions are brought into force as set out in this document;
2. Demonstrate that a selected number of financial performance ratios as set out in this document have been met as at March 31st of the financial year preceding the effective date of the grant; and
3. Demonstrate the implementation of the minimum FAL or FAB provisions referenced in the eligibility criteria within 24 months of the effective date of the grant.

This grant eligibility pathway is illustrated in Figure 2 on the following page.

¹ Since the date of this MOU section 50.1 of the *First Nations Fiscal Management Act* was enacted and brought into force that provides the FMB with the authority to review a law, the financial performance or financial management system of any First Nation government and to provide a report containing an opinion on whether FMB standards have been met.

Figure 2 – Grant Eligibility Pathway



The first criterion for grant eligibility requires that the First Nation develop and then enact a FAL or FAB that complies with the FMB’s FAL Standards and ensures that the minimum provisions (agreed to by ISC and the AFN) and described in this document are brought into force within the required time periods. The FMB has developed a Sample FAL / FAB to facilitate this step.

The second criterion for grant eligibility requires that the First Nation demonstrate that its financial performance meets minimum requirements in five financial ratios. The independent calculation and evaluation of these ratios will be performed by the FMB upon receipt of an Expression of Interest by the First Nation and availability of the most recent five years of audited annual financial statements.

The third criterion for grant eligibility requires the First Nation to implement certain minimum provisions² of its FAL or FAB within a specified time period and obtain a report from the FMB to help indicate whether this implementation has occurred. The role of the FMB will be to conduct a set of agreed-upon procedures and to communicate the results of these procedures. While this report will not contain an opinion, it will provide enough information for ISC to determine whether this eligibility criterion has been met.

Once these three main eligibility criteria have been met and reported on by the FMB, an annual risk-based monitoring framework is needed to assist ISC in the assessment of ongoing eligibility. The FMB has been informed that this framework is needed to allow ISC to meet its risk management objectives and to demonstrate compliance with existing Treasury Board of Canada risk management policies. It is noted that compliance with the terms of a grant agreement is solely the responsibility of the First Nation grant recipient. As a third party, the FMB is limited in what monitoring services it can provide to ISC. It is therefore important to determine what actions and responsibilities all stakeholders will have within an overall grant monitoring model.

² Commonly referred to as the “minimum highlighted provisions” based on colour coding contained in the FMB’s Sample Law, these are identified in the ‘Coming Into Force’ provision of the law.

3.0 Ongoing Eligibility and Monitoring Requirements

Paragraph 4.1 (b) of Schedule 3 to the sample 10-year grant agreement³ requires a grant recipient to

“Remain in substantial compliance, as determined by Canada, with all Financial Performance Ratios...”

Subsections 4.2 and 4.3 of Schedule 3 to the agreement states

“Canada may monitor and verify the eligibility status of [/:Name] to confirm [/:Name]’s continued eligibility for the NFR Grant during the term of this Agreement. [/:Name] shall, for this purpose, make records and information relevant to its eligibility status for the NFR Grant available to Canada on reasonable notice.”

“[/:Name] shall promptly notify Canada if it becomes aware that it no longer meets the eligibility criteria for the NFR Grant.”

Subsection 6.2 of Schedule 3 to the agreement outlines an annual meeting between ISC regional staff and grant recipients to discuss on-going eligibility (emphasis added):

The parties shall, at minimum, convene an annual meeting between representatives of [/:Name] and regional officials from ISC to discuss the implementation of this Agreement and the overall functioning of the new fiscal relationship as it pertains to the NFR Grant. During these meetings the parties shall discuss:

- (a) [/:Name]’s Activity outcomes over the past year, including:
 - i. [/:Name] suggestions for improving community outcomes; and
 - ii. what is needed to improve Activity outcomes.
- (b) **whether [/:Name] is continuing to meet all eligibility criteria for the NFR Grant** as set out in subsection 4.1 of this Schedule and in Schedule 6;
- (c) whether [/:Name] has provided all reporting on performance indicators required by this Agreement for the NFR Grant as set out in Schedule 7; and
- (d) whether [/:Name] has established or is putting in place a Strategic Plan and whether Annual Reports outline progress as against the Strategic Plan.

Subsection 7.1 of Schedule 3 to the agreement states that:

“Each party shall notify the other if it determines that, or is advised by any [/:Citizen-OR-Member] that...[/:Name] has failed to, or is at immediate risk of failing to: (i) maintain eligibility for the NFR Grant...”

³ DOC/2018/05461[v3] / NCR#11115998 - v1

It is evident from a review of the grant agreement that ISC regional staff will be conducting a number of monitoring procedures annually throughout the term of the grant. Therefore, the focus of the FMB's monitoring role will be to provide additional risk-based information that can assist ISC in its on-going monitoring efforts. This information will also help inform the FMB's own capacity development services being provided to grant recipients.

4.0 Role of Grant Recipient

The role of the grant recipient includes the preparation of annual financial statements and other reports in accordance with the requirements and timelines contained in the FAL/FAB. The grant recipient also has the sole responsibility of maintaining and demonstrating ongoing compliance with the terms and conditions of the grant agreement.

An effective monitoring framework should incorporate some form of self-assessment by the grant recipient. This will have the advantage of allowing the first-hand experience and knowledge to be documented, reported and communicated in a way that does not require any external assistance.

An inherent limitation of any self-assessment is the lack of objectivity that exists. However, a self-assessment could still be a valuable and cost-effective way of monitoring compliance over the term of the grant. A self-assessment could also be accompanied by some form of attestation by senior management of the grant recipient to ISC on an annual basis. This attestation could address compliance with the terms and conditions of the grant agreement and the overall state of implementation and operation of a FAL / FAB. The FMB would not need to be involved in this process other than providing tools such as reporting templates (see Appendix D below).

Under a FAL / FAB, there is a requirement for the Finance and Audit Committee to conduct a periodic review of the FAL/FAB in order to:

- a) determine if it facilitates effective and sound financial administration of the First Nation government; and
- b) identify any amendments to this Law that may better serve this objective.

However, this section of a FAL/FAB was not selected by ISC to be one of the minimum provisions included in the grant eligibility criteria. Any periodic review under this section of a FAL/FAB, including any reporting, may be viewed as optional by the grant recipient. (Furthermore, as there is no requirement under grant eligibility criteria to actually appoint anyone to a Finance and Audit Committee, it is possible that there would not be anyone to actually perform these duties.) For those grant recipients that choose to voluntarily conduct a periodic self-assessment, some technical aides (e.g. questionnaires, checklists, report templates etc.) could be developed by the FMB and shared to reduce the costs of completing this activity (see Appendix D below).

5.0 Role of ISC

As the only counterparty to a 10-year grant agreement, ISC will remain solely responsible for evaluating compliance by a grant recipient with the terms and conditions, including eligibility criteria, throughout the term of an agreement. It is acknowledged that ISC may need to place reliance on reports or information provided by the FMB containing the results of any monitoring activities or services performed. The FMB will take reasonable care when preparing this information to ensure that is timely and reliable.

ISC will remain the sole party responsible for the collection and retention of information that is required to be provided by the grant recipient including annual financial statements (with Independent Auditor's Reports attached), annual reports and strategic plans. ISC will be responsible for maintaining its web site⁴ so that this information can be easily obtained.

It is our understanding that ISC regional staff plan to conduct annual 'round table' reviews with grant recipients to collect some firsthand information regardless of any activities performed by the FMB. This annual monitoring activity is described in subsection 6.2 of Schedule 3 to the grant agreement (see discussion in Section 3.0 above).

6.0 Role of the FMB

The role of the FMB in monitoring compliance by a grant recipient with eligibility criteria is limited by several factors:

- the FMB is not a legal party to a grant agreement;
- the FMB's governing legislation is based upon voluntary participation by First Nation governments in respect of the services provided; and
- the FMB does not have any regulatory or enforcement powers.

Notwithstanding these limitations, the FMB is well positioned to co-develop and implement a risk-based monitoring approach pursuant to section 3.6 of the MOU which states that the FMB will:

“Support the co-development and implementation of a risk-based monitoring approach to obtain reasonable assurances about whether recipients under the 10-year grants are in compliance with the eligibility criteria for 10-year grants with such implementation to include the Board sharing its annual monitoring plans and annual results reports with Indigenous Services Canada”

The FMB has been asked by ISC to conduct some level of monitoring on an annual basis under this MOU. The role of the FMB will be to prepare objective and reliable information based on its review of information prepared by grant recipients that will help inform ISC about the on-going level of compliance with grant eligibility.

⁴ <https://fnp-ppn.aadnc-aandc.gc.ca/fnp/Main/Search/SearchFF.aspx?lang=eng>

7.0 Scope of Monitoring by the FMB

The monitoring of grant eligibility by the FMB will be limited to reviewing each grant recipient's financial performance on an annual basis. This review will identify any financial reporting risk indicators that might exist. The FMB will primarily make use of information such as annual financial statements and accompanying audit reports publicly available on the ISC website. When this information is not made publicly available, the FMB will request it from the grant recipient directly.

The FMB's annual monitoring framework will not include any ongoing evaluation of the implementation of a FAL / FAB. Any such implementation testing would need to be at the request of both ISC and the grant recipient. In place of annual implementation testing, the FMB recommends that ISC place reliance on a grant recipient's self-assessment and/or management compliance declaration or attestation. These tools are illustrated in Appendices C and D to this report.

The FMB will not seek to collect or monitor (i) the Strategic Plan; (ii) the Multi-Year Financial Plan; (iii) the Annual Report on the basis that this information must be provided by a grant recipient to ISC on an annual basis pursuant to subsection 6.1 of Schedule 3 to the grant agreement. ISC will be in a position to determine whether this condition of the agreement has been met by tracking what information it receives and when it is received.

As described in section 2.0 above, a grant recipient must demonstrate to ISC that the minimum FAL/FAB provisions have been implemented within 24 months of entering the grant agreement⁵. The FMB has been requested by ISC to conduct a set of agreed-upon procedures to provide the necessary information to allow ISC to conclude to what extent this implementation has occurred. The FMB will not conduct any annual monitoring or re-testing of a grant recipient's financial management system unless this is requested and agreed-upon by the parties to a grant agreement. **The monitoring framework contained in this document will therefore not include any activities related to the annual monitoring or re-testing of the implementation of a grant recipient's FAL/FAB.**

8.0 Integrated Approach to Monitoring

It is important that any approach to monitoring follows an integrated approach to minimise the cost and impact to First Nations. Effort must be taken to avoid duplication of effort by all parties and to clearly define all roles and responsibilities. An overview of a potential integrated grant monitoring approach is presented in Appendix E.

9.0 Risks Related to Monitoring of 10-Year Grants

The FMB has been requested by ISC to provide some level of ongoing monitoring services to assist ISC evaluate ongoing grant eligibility. However, the FMB must consider the impact

⁵ This timeline takes into account the graduated coming into force provisions in a FAL/FAB

of accepting this role in the broader context of its relationship with First Nations. The decision to take on a recurring oversight role brings risk to the FMB for several reasons.

Reputational Risk

Based on recent interactions with 10-year grant applicants, FMB staff have observed a growing perception in the marketplace that the FMB is now acting in place of, or as an agent of, ISC. There is a risk that this perception will only become more widespread as the FMB begins monitoring the ongoing eligibility (i.e. compliance) of First Nation governments with respect to 10-year grant agreements. This perception could damage the reputation of the FMB and negatively impact the optional nature of the FMB's Certification services.

This risk can be mitigated by the FMB increasing its external communication efforts to inform grant recipients on its limited role. The FMB will also work with ISC to ensure that all communication continues to make it clear that accountability for the grant program rests entirely with ISC.

Risk of Repeating the Past

A risk-based oversight model, such as the one outlined in this document, may be viewed by First Nations as simply another iteration of the General Assessment that ISC has historically applied. Although ISC has recently discontinued the use of the General Assessment, it was the tool used by ISC to determine whether to conduct compliance audits. It is possible that some grant recipients will object to FMB's monitoring approach on the basis that it could be replacing something that has been discontinued by ISC.

This risk can be mitigated by clearly defining the objective of any monitoring performed by the FMB. The objective will be to use reliable indicators of financial performance based on publicly available information to help identify the existence of any capacity related financial reporting related risks. These risks in turn may indicate the existence of capacity development needs that have not been met within the First Nation. This information can then be used to inform and provide focus to any capacity support services that the First Nation chooses to obtain, including any that ISC may fund. Subsections 7.3 and 7.4 of Schedule 3 to the agreement state (emphasis added):

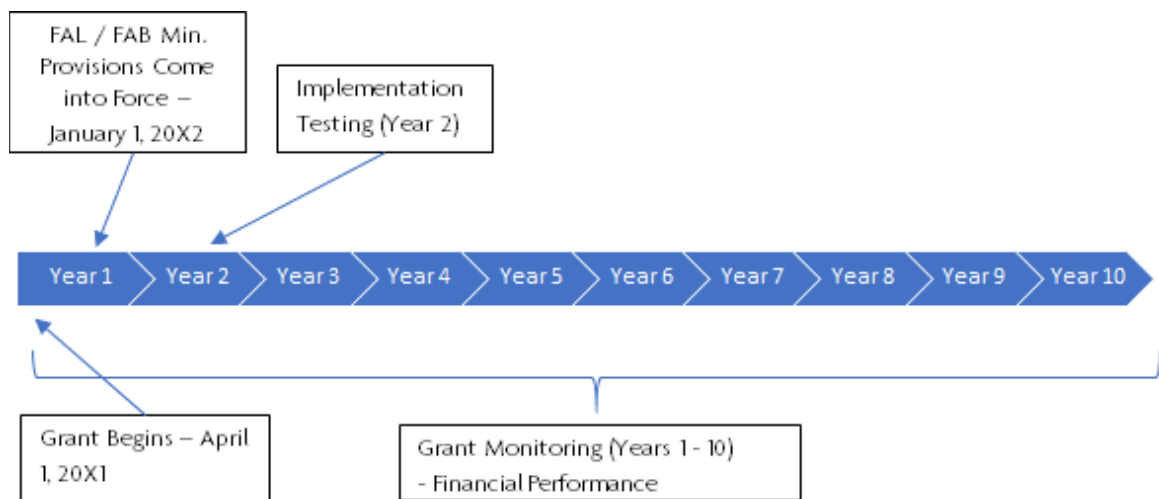
[/:Name] may, in its discretion, implement capacity development measures on a proactive or remedial basis in order to address, redress or reduce the chances of recurrence of any issue for which notification was given under subsection 7.1. Such measures may be undertaken with the support of a capacity development organization or other qualified service provider, to be chosen and hired by [/:Name]. [/:Name] shall be solely responsible for setting the terms of reference and functions of any capacity development organization or other qualified service provider.

The costs of any capacity development measures under subsection 7.3, including the costs of a capacity development organization or other qualified service provider chosen by [/:Name] under that subsection, shall be paid by [/:Name]. **However, Canada shall provide additional funding to [/:Name] for those costs where Canada agrees that the organization or provider is necessary and to the extent that Canada agrees that those costs are reasonable.**

10.0 10-Year Grant Timeline

Figure 3 below contains an illustrative 10-year timeline for a grant that is effective on April 1, 20X1 that illustrates the monitoring period.

Figure 3 10-year Grant Timeline



11.0 Annual Grant Monitoring Overview

Table 1 below outlines the proposed annual monitoring procedures that the FMB will conduct over the 10-year term of a grant. These are intended to address some key questions that ISC is expected to have.

Table 1 10-Year Grant Monitoring Procedures

Monitoring Procedures	Questions by ISC that are Addressed
Roll-forward financial performance ratios to determine whether financial performance eligibility criteria continue to be met (i.e. Pass / Fail)	“Does the First Nation continue to meet the financial performance grant eligibility criteria?”
Review most recent annual financial statements and identify any prior period restatements and their impact on previous financial performance eligibility criteria	“Would the First Nation have met the financial performance grant eligibility criteria if the original financial statements used were correct?”

Monitoring Procedures	Questions by ISC that are Addressed
Review the Independent Auditor's Report attached to the most recent annual financial statements and identify: <ul style="list-style-type: none"> ○ the date of the report; and ○ any audit qualifications. 	"Were the annual financial statements approved for issuance within 120 days of the financial year end in accordance with the FAL / FAB?" "Is there any indication of non-compliance with generally accepted accounting standards (GAAP qualification)?" "Is there any indication of a weakness in the financial reporting process due to an audit scope limitation?"
Consider the impact of any requested amendments to a FAL / FAB on 10-year grant eligibility	"Are the minimum FAL / FAB grant eligibility criteria still contained in an amended law?"

It is important to note that the procedures listed in Table 1 above will allow the FMB to gather objective data on each grant recipient in a manner that is unobtrusive and passive in nature. It only uses information that is publicly available for which has been provided to the FMB by the First Nation for grant eligibility purposes. In situations where financial statements are not publicly available the FMB will request this information from the grant recipient.

Using the data collected through this monitoring, it is possible to apply some reasonable judgement about the qualitative nature of this information. For example, it is reasonable to view the following events or occurrences as positive indicators when considering the First Nation's financial management system and overall capacity:

1. **Continuing to meet the financial performance ratios for grant eligibility**
 - Indicator of continued financial health
2. **An audit report date that is 120 days or less after the financial year end**
 - Ability to meet reporting deadlines contained in the FAL / FAB
3. **An unqualified opinion expressed by the auditor over the annual financial statements**
 - No concerns with application of generally accepted accounting principles
 - No scope limitations encountered by the auditor when auditing the annual financial statements

4. No need to restate prior year annual financial statements to correct errors

- Indicator of strong financial accounting and year end financial close and reporting process

It is therefore also reasonable to consider the following events or occurrences as negative indicators:

1. Failing to meet the financial performance ratios for grant eligibility

- Possible indicator of declining financial health

2. An audit report date that is more than 120 days after the financial year end

- Inability to meet reporting deadlines contained in the FAL / FAB which impacts transparency and accountability objectives

3. A qualified opinion expressed by the auditor over the annual financial statements

- Possible concerns with knowledge, understanding or application of generally accepted accounting principles
- Possible concerns about the record keeping or financial reporting practices being used

4. The need to restate prior year annual financial statements to correct errors previously unidentified

- Indicator of weak financial accounting and year end financial close and reporting process

It must be acknowledged that the indicators above are not precise and they could be determined to be incorrect once further enquiries or analysis was conducted. However, they are considered to be reliable measurements that could focus the attention of a reviewer towards situations whether this additional follow up enquiry or analysis is most needed.

Within a monitoring framework, the qualitative nature of these indicators can be used to highlight areas of lower and higher risk. If the financial performance indicators listed above are considered to be a reasonable proxy for the general, high level state of a First Nation's financial management system or overall capacity, it is possible to introduce and apply a risk-based approach. For example, consider the following two scenarios:

Scenario 1

- First Nation continues to meet each of the financial performance ratios
- The audit report attached to the most recent annual financial statements is dated July 15th (i.e. within 120 days of financial year end)
- The opinion contained in the Independent Auditor's Report is unqualified
- The prior year comparative annual financial statements are not restated

Scenario 2

- First Nation no longer meets one or more financial performance ratios
- The audit report attached to the most recent annual financial statements is dated October 1st (i.e. beyond 120 days of financial year end)
- The opinion contained in the Independent Auditor's Report is qualified
- The prior year comparative annual financial statements have been restated

At a high level, without the benefit of having any additional information, it is reasonable to think that Scenario 2 could present a higher level of risk to a funder such as ISC compared to Scenario 1.

There are numerous other scenarios based on the range of possible occurrence or events. By assigning some pre-determined weighting to each type of indicator, it is possible to apply a risk rating across an entire population of grant recipients in a consistent and fair manner. By calculating a risk indicator for each grant recipient, the FMB would be in a position to generate reliable monitoring data that could be used in a few different ways:

1. Capacity Development Planning
 - The data collected and risk indicator could help inform any capacity development plans being developed or updated
2. Focused Capacity Development Support
 - The nature of certain risk indicators could allow certain types of capacity support to be targeted or focused
3. Annual Monitoring Reports to ISC
 - The FMB would be able to provide annual monitoring reports to ISC
 - These annual monitoring reports could be used by ISC as inputs into a larger department wide risk-based support framework
4. Triggers for Additional Procedures
 - The overall risk ratings or classifications could be used by ISC to determine whether additional monitoring or follow-up enquiries or procedures need to be conducted

12.0 Risk Rating Framework

Table 2 on the following page provides a risk rating framework for each of the performance indicators described above. The purpose of these rating is to allow the FMB to apply a consistent evaluation of the data being collected and allow for a single risk classification to be assigned to each grant recipient.

Cautionary Note

These classifications are not intended to convey any other attributes or any subjective conclusions about a grant recipient. Care must be taken to not use this risk rating framework for any other purpose. These risk ratings, and the results that they will generate, will not reflect any other information that would otherwise be essential to fully appreciate or understand a particular grant recipient's real-life situation. This classification approach is only to be used to focus limited resources in a consistent and reasonable manner. Risk ratings may not reflect the actual magnitude, severity or significance of the underlying conditions, factors of circumstances.

Table 2 Risk Ratings

Criteria	Audit Report Date Risk Rating
Audit Report Date is before July 1	10
Audit Report Date is between July 1 - 29	5
Audit Report Date is between July 30 - September 30	-5
Audit Report Date is after September 30	-10

Criteria	Audit Opinion Risk Rating
Unqualified Opinion	5
Qualified Opinion	-5
Disclaimer of Opinion	-15

Criteria	Prior Year Restatement Risk Rating
No Prior Year Restatement	5
Prior Year Restatement - Immaterial	-2
Prior Year Restatement - Material	-5

Criteria	Financial Performance Ratio Risk Rating
Meet / Pass FP Ratios	5
Fail One FP Ratio	-5
Fail Two or More Ratios	-10

Maximum Score	25
Minimum Score	-40
Expected Score	20

Category	Risk Rating Range
Tier 1	Greater than 20
Tier 2	Equal to 20
Tier 3	Between 0 and 20
Tier 4	Below 0

Notes

- Relative weighting is based on professional judgment
- The Expected Score represents a benchmark represented by Scenario 1 outlined in Section 4.0 above
- A sample Risk Rating Report for a grant recipient has been included in Appendix A

13.0 Risk Based Monitoring Responses

After applying the risk ratings outlined in Table 2 on the previous page and assigning the corresponding category to each grant recipient, there are a number of different risk-based monitoring responses that could be applied. For example, it might be appropriate to take no further action when a grant recipient has an overall risk rating of 20 or above (i.e. Tier 1 or 2). Further procedures, enquiries or follow up might be warranted for those grant recipients with overall risk ratings of less than 20 (i.e. Tier 3 or 4).

Table 3 below contains some potential responses that could be used based on the overall risk rating. Any response by the FMB would only be made upon written request by ISC and upon agreement reached with the grant recipient.

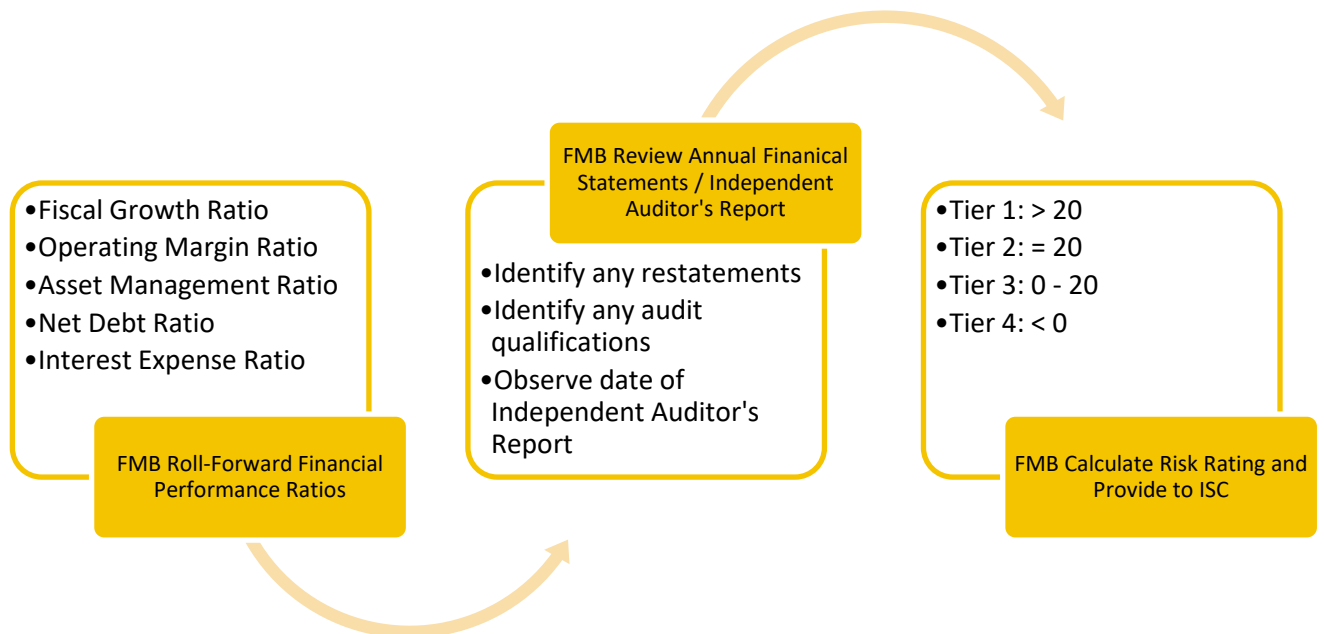
Table 3 Tiered Risk Based Monitoring Responses

Risk Category	Follow Up Monitoring Response
Tier 1	<ul style="list-style-type: none"> • Obtain a signed Management Self-Certification of Grant Eligibility from the Senior Manager • Obtain a signed Management Self-Certification of Grant Eligibility from the Senior Financial Officer • See Sample Management Self-Certification of Grant Eligibility in Appendix B
Tier 2	Includes Tier 1 responses plus: <ul style="list-style-type: none"> • Enquiries with management to follow up on the risk rating results in an effort to understand root causes • Opportunity to identify any capacity development support that is needed and available
Tier 3	Includes Tier 2 responses plus: <ul style="list-style-type: none"> • Completion of a Financial Management System Self-Assessment • To be completed by management and provided to ISC • Opportunity to identify any specific areas of a FAL / FAB that have not yet been implemented • See Sample Self-Assessment in Appendix C
Tier 4	Includes Tier 3 responses plus: <ul style="list-style-type: none"> • Agreed-Upon Procedures conducted by FMB based on results of self-assessment and any other areas of focus agreed upon with First Nation • Preparation of a findings report with recommendations • Opportunity for FMB to provide focused capacity development support

Self-Certification of Grant Eligibility

- Involves senior management ‘certifying’ or ‘attesting’ to certain conditions that relate to the First Nation’s on-going grant eligibility
- Modeled after the annual certificate that must be filed by the Chief Executive Officer and Chief Financial Officer of a Canadian publicly listed company to the Ontario Securities Commission⁶ that cover the content of financial reports and the effectiveness of internal control over financial reporting
- Provides an opportunity for First Nation management to provide a consistent set of representations to ISC without having to provide any supplemental information or reports
- Facilitates a working relationship based on trust and mutual respect

14.0 Summary of Risk Based Monitoring Framework



⁶ Refer to Form 52-109F1 - Certification of Annual Filings - Full Certificate
<https://www.osc.gov.on.ca/en/23318.htm>

Tier 1 Rating	Tier 2 Rating	Tier 3 Rating	Tier 4 Rating
<ul style="list-style-type: none"> • Signed Self-Certification of Grant Eligibility from Grant Recipient Management (collected by ISC) 	<ul style="list-style-type: none"> • Signed Self-Certification of Grant Eligibility from Grant Recipient Management (collected by ISC) • In-person meeting between ISC region and Grant Recipient • Capacity Development plan updated 	<ul style="list-style-type: none"> • Signed Self-Certification of Grant Eligibility from Grant Recipient Management (collected by ISC) • Completed FMS Self-Assessment (collected by ISC) • In-person meeting between ISC region and Grant Recipient • Capacity Development plan updated 	<ul style="list-style-type: none"> • Signed Self-Certification of Grant Eligibility from Grant Recipient Management (collected by ISC) • Completed FMS Self-Assessment (collected by ISC) • In-person meeting between ISC region and Grant Recipient • Agreed-Upon Procedures conducted by FMB (upon request) • Capacity Development plan updated

Appendix A – Sample Risk Rating Reports

Tier 1

10-Year Grant Financial Performance Monitoring Report

Grant Recipient: [●]
 Financial Year End: March 31, 2019
 Date Prepared: January 15, 2021

Financial Performance Element	Result	Risk Rating
Financial Performance Ratios	Pass	5
Failing Ratio1	N/A	
Failing Ratio2	N/A	
Date of Most Recent Audit Report	June 6, 2019	10
Audit Completed On-Time?	On-time	
Audit Opinion	Unqualified	5
Type of Audit Qualification(s)	N/A	
Reason for Audit Qualification(s)	N/A	
Prior Year Restatement?	No	5
Impact of Restatement	N/A	
Risk Category	Tier 1	25

Tier 2

10-Year Grant Financial Performance Monitoring Report

Grant Recipient: [●]
 Financial Year End: March 31, 2019
 Date Prepared: January 15, 2021

Financial Performance Element	Result	Risk Rating
Financial Performance Ratios	Pass	5
Failing Ratio1	N/A	
Failing Ratio2	N/A	
Date of Most Recent Audit Report	July 23, 2019	5
Audit Completed On-Time?	On-time	
Audit Opinion	Unqualified	5
Type of Audit Qualification(s)	N/A	
Reason for Audit Qualification(s)	N/A	
Prior Year Restatement?	No	5
Impact of Restatement	N/A	
Risk Category	Tier 2	20

Tier 3

10-Year Grant Financial Performance Monitoring Report

Grant Recipient: [●]
 Financial Year End: March 31, 2019
 Date Prepared: January 15, 2021

Financial Performance Element	Result	Risk Rating
Financial Performance Ratios	Pass	5
Failing Ratio1	N/A	
Failing Ratio2	N/A	
Date of Most Recent Audit Report	September 11, 2019	-5
Audit Completed On-Time?	Late	
Audit Opinion	Qualified	-5
Type of Audit Qualification(s)	Both - Scope Limitation & Non-Compliance with PSAS	
Reason for Audit Qualification(s)	- Insufficient audit evidence of the Nation's investment - GBEs has an investment in a subsidiary is accounted for using the cost method, which is a departure from IFRS.	
Prior Year Restatement?	No	5
Impact of Restatement	N/A	
Risk Category	Tier 3 - Fair Performer	0

Tier 4

Grant Recipient: [●]
 Financial Year End: March 31, 2019
 Date Prepared: January 15, 2021

Financial Performance Element	Result	Risk Rating
Financial Performance Ratios	Pass	5
Failing Ratio1	N/A	
Failing Ratio2	N/A	
Date of Most Recent Audit Report	November 28, 2019	-10
Audit Completed On-Time?	Late	
Audit Opinion	Qualified	-5
Type of Audit Qualification(s)	Both - Scope Limitation & Non-Compliance with PSAS	
Reason for Audit Qualification(s)	Uncertain accuracy, existence and valuation of advances to related entities; recognition of sub-leased land rights measured at fair value which is not permitted under PSAS; lack of an approved budget and failure to present approved budget in FS	
Prior Year Restatement?	Yes	-2
Impact of Restatement	Immaterial	
Risk Category	Tier 4 - Poor Performer	-12

Appendix B – Sample Consolidated Financial Performance Monitoring Report

Official Name of First Nation	Ratio Result?	Failing Ratio	Other comments
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Unknown - FS Unavailable		
	Pass		
	Pass		
	Unknown - FS Unavailable		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass	Net Debt Ratio	The First Nation failed to meet the Net Debt Ratio but has met the Alternative Net Debt Ratio
	Fail	Operating Margin Ratio	Recurring annual deficits are being financed by prior year accumulated operating surpluses
	Pass		
	Unknown - FS Unavailable		
	Pass		
	Unknown - FS Unavailable		
	Pass		
	Pass		
	Unknown - FS Unavailable		
	Pass		
	Unknown - FS Unavailable		

Official Name of First Nation	Ratio Result?	Failing Ratio	Other comments
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		Passing with Alternative Net Debt Ratio
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Unknown - FS Unavailable		
	Pass		
	Pass		
	Pass		
	Unknown - FS Unavailable		
	Unknown - FS Unavailable		
	Pass		
	Pass		
	Pass		
	Unknown - FS Unavailable		
	Pass		
	Fail	Operating Margin Ratio	2018 FS restated. 10-year grant FP eligibility not met based on restated information.
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		

Official Name of First Nation	Ratio Result?	Failing Ratio	Other comments
	Unknown - FS Unavailable		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Pass		
	Unknown - FS Unavailable		
	Pass		
	Pass		
	Pass		

Appendix C – Sample Management Self-Certification of Grant Eligibility

Management’s Self-Certification of 10-Year Grant Eligibility

[Name of First Nation]

Instructions: To be completed by the Chief Administrative Officer⁷ (or equivalent)

1. **Review:** I have reviewed the annual financial statements and annual report, including, for greater certainty, all documents and information that are incorporated by reference in the annual report (together, the “annual filings”) of [Name of First Nation] (the “First Nation”) for the financial year ended **March 31, 20[●]**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any misleading or untrue statement of a material fact or omit to state a material fact, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the First Nation, as of the date of and for the periods presented in the annual filings.
4. **Responsibility:** The First Nation’s other certifying officer(s) and I are responsible for leading the planning, organization, implementation and evaluation of the overall management of all the day-to-day operations and systems of the First Nation as set out in the [Name of First Nation], *Financial Administration [Law / By-law], [YYYY]*.
5. **Evaluation of compliance with 10-year grant agreement:** The First Nation’s other certifying officer(s) and I have evaluated, or caused to be evaluated under our supervision, the degree to which the First Nation was in compliance with the terms and conditions contained in its 10-year grant funding agreement with Indigenous Services Canada at the financial year end and have provided to the Council:
 - a. our conclusions about the First Nation’s compliance with the terms and conditions contained in the 10-year grant funding agreement with Indigenous Services Canada;
 - b. for any area of non-compliance existing at the financial year end

⁷ This is the title used in the FMB’s Standards effective April 1, 2019. The previous equivalent title in the April 1, 2016 Standards was Senior Manager

- i. a description of the non-compliance;
 - ii. the impact of the non-compliance on the continuation of the 10-year grant funding agreement; and
 - iii. the First Nation's current plans, if any, or any actions already undertaken, for remediating the non-compliance.
6. ***Evaluation of financial management system:*** The First Nation's other certifying officer(s) and I have evaluated, or caused to be evaluated under our supervision, the effectiveness of the First Nation's financial management system at the financial year end and have provided to the Council:
 - a. our conclusions about the effectiveness of the financial management system at the financial year end based on that evaluation; and
 - b. for each significant deficiency relating to operation existing at the financial year end
 - i. a description of the significant deficiency;
 - ii. the impact of the significant deficiency on the First Nation's financial management system; and
 - iii. the First Nation's current plans, if any, or any actions already undertaken, for remediating the significant deficiency.
7. ***Reporting to the First Nation's auditor, council or finance and audit committee:*** The First Nation's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the financial management system, to the First Nation's auditor, and the council or the finance and audit committee of the council any fraud that involves management or other employees who have a significant role in the First Nation's financial management system.

Date: *<insert date of filing or submission>*

[Signature]

[Title]

<If the certifying officer's title is not "Senior Manager", indicate in which of these capacities the certifying officer is providing the certificate.>

Appendix D – Sample Financial Management System Self-Assessment

Financial Administration Law / By-law Compliance Questionnaire Based on April 1, 2016 Sample FAL / FAB Grant Eligibility Criteria

	Compliant?		
	Yes	No	Comments
<i>Finance and Audit Committee</i>			
Has a Finance and Audit Committee been established?	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Senior Manager</i>			
Has a Senior Manager (or equivalent) been appointed by the Council?	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Senior Financial Officer</i>			
Has a Senior Financial Officer (or equivalent) been appointed by the Council?	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Organisational Chart</i>			
Has a current organisation chart for the governance, management and administrative systems of the First Nation been established?	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Multi-year Financial Plan</i>			
Has a multi-year financial plan been developed for the First Nation?	<input type="checkbox"/>	<input type="checkbox"/>	
Was the multi-year financial plan approved by the Council no later than March 31 st ?	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Annual Budget</i>			
Has an annual budget been developed for the First Nation?	<input type="checkbox"/>	<input type="checkbox"/>	
Was the annual budget approved by the Council no later than March 31 st ?	<input type="checkbox"/>	<input type="checkbox"/>	
Were all amendments to the annual budget approved by the Council?			
<i>Community Information or Involvement</i>			
Have policies respecting the means by which members of the First Nation must be informed about or involved in the development of the annual budget, multi-year financial plan and any budget deficits or extraordinary expenditures been established?	<input type="checkbox"/>	<input type="checkbox"/>	

<i>Monthly Financial Information</i>			
Did the senior financial officer prepare monthly financial information respecting the financial affairs of the First Nation throughout the year?	<input type="checkbox"/>	<input type="checkbox"/>	
Did the senior financial officer provide the monthly financial information to the Council not more than forty-five (45) days following the end of the month for which the information was prepared?	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Quarterly Financial Information</i>			
Did the senior financial officer prepare quarterly financial statements for the First Nation for each quarter during the year?	<input type="checkbox"/>	<input type="checkbox"/>	
Were the quarterly financial statements reviewed and approved by the Council?	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Appointment of Auditor</i>			
Was an auditor appointed to conduct an audit of the annual financial statements in accordance with the requirements of the FAL / FAB?	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Annual Financial Statements</i>			
Did the senior financial officer prepare a complete set of annual financial statements in accordance with Public Sector Accounting Standards?	<input type="checkbox"/>	<input type="checkbox"/>	
Were the annual financial statements provided to the Council for review and approval not more than 120 days after the fiscal year end (i.e. no later than July 29 th)?	<input type="checkbox"/>	<input type="checkbox"/>	
Were the annual financial statements approved by Council and signed by: <ul style="list-style-type: none"> • the chief of the first nation or the Council chair, and • the Director of Finance (or equivalent)? 			
Were the annual financial statements, together with a signed Independent Auditor's Report, made available to members not more than 120 days after the fiscal year end (i.e. no later than July 29 th)?			
<i>Annual report</i>			

Has the Council prepared an annual report on the operations and financial performance of the First Nation for the previous fiscal year no later than 180 days after the end of each fiscal year (i.e. no later than September 27 th)?	<input type="checkbox"/>	<input type="checkbox"/>	
Does the annual report include: <ul style="list-style-type: none"> • a description of the services and operations of the First Nation; • a progress report on any established financial objectives and performance measures of the First Nation; • the annual financial statements with a corresponding signed Independent Auditor's Report? 	<input type="checkbox"/>	<input type="checkbox"/>	
Has the annual report been made available to First Nation members within 180 days of the fiscal year end (i.e. no later than September 27 th)?	<input type="checkbox"/>	<input type="checkbox"/>	
If the First Nation is a borrowing member has a copy of the annual report been provided to the First Nation Finance Authority?	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Reports of Breaches and Financial Irregularities</i>			
Have all known or suspected breaches of the Financial Administration Law / By-law or financial irregularities been reported and handled in accordance with the requirements of the Financial Administration Law / By-law?	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Coming into Force</i>			
Have all provisions of the Financial Administration Law / By-law been brought into force?	<input type="checkbox"/>	<input type="checkbox"/>	

Appendix E – Integrated Monitoring Approach

