B1

FINANCIAL MANAGEMENT SYSTEM

CERTIFICATION PROCEDURES

First Nations FINANCIAL MANAGEMENT BOARD

www.fnfmb.com

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TABLE 1 - LIST OF CORE DOCUMENTS

The following table lists the core documents made available by the First Nations Financial Management FMB ("the FMB") for First Nations to utilize in developing, implementing and improving their financial management

	FINANCIAL ADMINISTRATION LAW		
	A1	FINANCIAL ADMINISTRATION LAW – **REVIEW PROCEDURES**	Procedures to apply when requesting a compliance approval of the First Nation's Financial Administration Law.
	A2	FINANCIAL ADMINISTRATION LAW – **STANDARDS**	Standards that support sound financial administration practices for a First Nation government in Canada.
	A3	**SAMPLE** FINANCIAL ADMINISTRATION LAW	Example of a Law which meets the requirements of the A2 Financial Administration Law – Standards.
	A4	FINANCIAL ADMINISTRATION LAW – **EXPLANATORY NOTES**	Provides assistance on the development of a Financial Administration Law by discussing the structure and substantive content of the A3 Sample Financial Administration Law.
	A5	FINANCIAL ADMINISTRATION LAW – **ASSESSMENT**	Tool that can be utilized to compare existing or proposed Financial Administration Law(s) of the First Nation to Financial Administration Law – Standards.
	FINANCIAL MANAGEMENT SYSTEM		
☑	**B1**	FINANCIAL MANAGEMENT SYSTEM - **CERTIFICATION PROCEDURES**	Procedures to apply when requesting a review of the First Nation's financial management system.
	B2	FINANCIAL MANAGEMENT SYSTEM – **STANDARDS**	Standards that support sound financial practices for the operation, management, reporting and control of the financial management system of a First Nation.
	FINANCIAL PERFORMANCE		
	C1	FINANCIAL PERFORMANCE – **CERTIFICATION PROCEDURES**	Procedures to apply when requesting a review of the First Nation's financial performance.
	C2	FINANCIAL PERFORMANCE – **STANDARDS**	Standards that assess the historical financial performance of a First Nation over a five year period using up to six financial ratios.
	LOCAL REVENUE FINANCIAL REPORTING		
	D1	LOCAL REVENUE FINANCIAL REPORTING – **STANDARDS**	Standards that establish requirements for the financial reporting of a First Nation's local revenues and expenditures.
	D2	LOCAL REVENUE FINANCIAL REPORTING – **ILLUSTRATIVE FINANCIAL STATEMENTS**	Illustrative annual financial statements for a First Nation's local revenues and expenditures designed to comply with the D1 Local Revenue Financial Reporting – Standards.
	D3	LOCAL REVENUE FINANCIAL REPORTING – **ILLUSTRATIVE SEGMENT NOTE DISCLOSURE**	Illustrative segment note disclosure for inclusion in the annual financial statements of a First Nation designed to comply with the D1 Local Revenue Financial Reporting – Standards.
	D4	LOCAL REVENUE FINANCIAL REPORTING – EXPLANATORY NOTES	Explanatory notes to accompany D1 Local Revenue Financial Reporting – Standards.

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FIRST NATIONS FINANCIAL MANAGEMENT BOARD

FINANCIAL MANAGEMENT SYSTEM CERTIFICATION PROCEDURES

1.0 AUTHORITY TO ESTABLISH PROCEDURES

1.1 Act authority – Procedures respecting the review and certification of a First Nation's financial management system are established by the First Nations Financial Management Board ("the FMB") under subsection 55(2) of *First Nations Fiscal Management Act* ("the Act").

1.2 Procedure revisions – Procedures established by the FMB may be amended or revised from time to time by the FMB.

1.3 Access to procedures – FMB procedures in effect from time to time may be accessed at the FMB's web site (www.fnfmb.com).

2.0 PURPOSE OF PROCEDURES

2.1 Purpose – The purpose of these procedures is to establish a process for the FMB to:

a. provide assistance to First Nations in the evaluation of their financial management system;

b. review a First Nation's financial management system on request of the First Nation under the Act or its regulations;

c. provide a report to the First Nation setting out the scope of the review undertaken and an opinion to the First Nation as to whether the First Nation was in compliance with the *Financial Management System Standards* or as to which aspects of these Standards were not complied with by the First Nation; and

d. issue a Financial Management System Certificate under subsection 50(3) of the Act to the First Nation if it was in compliance, in all material respects, with the *Financial Management System Standards*.

3.0 APPLICATION OF THESE PROCEDURES

3.1 Application – These procedures apply where a First Nation is requesting the FMB to issue the First Nation a certificate stating that it was in compliance with the *Financial Management System Standards.*

4.0 INTERPRETATION

4.1 Definitions – Unless the context indicates otherwise, in these procedures:

"Act" means the *First Nations Fiscal Management Act;*

"***Financial Management System Standards"*** means the *Financial Management System Standards* established by the FMB under paragraph 55(1)(c) of the Act;

"FMB" means the First Nations Financial Management Board;

"reviewer" means the person appointed by the FMB under procedure 7.1.

4.2 Interpretation – In these procedures, a reference to a determination that a First Nation was in compliance with the *Financial Management System Standards* means a determination that the First Nation was in compliance with the *Financial Management System Standards*, in all material respects, on the effective date of the review.

5.0 REQUEST FOR ASSISTANCE

5. 1 Letter of cooperation – A First Nation may initiate a client relationship with the FMB by delivering to the FMB a letter of cooperation in the form and with the terms required by the FMB.

5. 2 Written request for assistance – A First Nation may make a written request to the FMB for assistance in the development, implementation and review of its financial management system in order to receive a Financial Management System Certificate from the FMB.

5.3 Nature of assistance – The FMB will determine, in its sole discretion, the nature of any assistance it provides to a First Nation under this section including, but not limited to, conducting an informal review of its financial management system.

5.4 Template forms – The recommended template form of letter of cooperation referred to in section 5.1 is on the FMB's web site (www.fnfmb.com).

6.0 REQUEST FOR REVIEW OF SYSTEM

6.1 Required resolution for formal review– A First Nation must submit a resolution of the council to the FMB which must include the following:

a. request to formally review the First Nation's financial management system to determine whether it is in compliance with the *Financial Management System Standards*;

b. request to issue to the First Nation a Financial Management System Certificate under subsection 50(3) of the Act*;*

c. direction to a representative of the First Nation and the First Nation's auditor to communicate with the FMB, deliver to the FMB any documents required by the FMB to formally review the First Nation's Financial Management System and issue to the First Nation a Financial Management System Certificate;

d. agreement to indemnify, defend and hold harmless the FMB, its directors, officers, employees and every person acting on behalf of the FMB, its directors, officers and employees from any damages, costs, claims or causes of action regarding any aspect of the formal review including opinions, reports and whether a Financial Management System Certificate is issued or revoked, unless the damages, costs, claims or causes of action result from gross negligence or bad faith; and

e. confirmation that the resolution was approved at a duly called and conducted council meeting at which the required quorum of councillors was present throughout and the required number of councillors approved the resolution at the meeting.

6.2 Videoconference or teleconference council meeting - the *Indian Act* allows, if exceptional circumstances arise which prevent council from meeting in person, council meetings to proceed by way of a videoconference or teleconference. In this situation, then the resolution of the council in section 6.1 must also include:

a. confirmation that the council meeting was held by videoconference or teleconference;

b. a statement describing the exceptional circumstances as to why the council meeting held by videoconference or teleconference;

c. confirmation that the council meeting allowed First Nation citizen participation;

d. a statement whether the Law may be signed in counterparts and electronically which together constitute an original instrument or a statement that the Law may be enacted with electronic signatures; and

e. a statement whether the resolution may be signed in counterparts and electronically which together constitute an original instrument.

6.3 Template forms – The recommended template forms for the resolution required in procedure 6.1 are on the FMB's web site (www.fnfmb.com).

7.0 REVIEWER

7.1 Appointment – On receipt of all documents required by these procedures for a request for a review of a First Nation's financial management system, the FMB will appoint a reviewer and advise the First Nation of the name and contact information for the reviewer.

7.2 Replacement of reviewer – The FMB may replace the reviewer at any time.

7.3 Role of reviewer – A reviewer appointed by the FMB has full authority to act for the FMB in the conduct of a review of a First Nation's financial management system including the authority

a. to conduct a desk review of any documents supplied by the First Nation under procedure 8.1 or requested by the reviewer,

b. to conduct an on-site review at the offices of the First Nation and any other location where the documents or records of the First Nation are located or operations are conducted,

c. to communicate with First Nation councillors, officers, employees and auditors and any contractors, agents or advisors who are performing any services for the First Nation respecting its financial management system, and

d. to have access to and take copies of the First Nation's records.

8.0 FIRST NATION OBLIGATIONS

8.1 Documents showing compliance – Before the reviewer will begin a review of the First Nation's financial management system, the council of the First Nation must submit to the reviewer:

a. documents that demonstrate that the First Nation was in compliance with the *Financial Management System Standards* (including all policies, procedures or directions that are required to be established or given in the First Nation's law or laws respecting financial administration); and

b. a copy of the First Nation's law or laws respecting financial administration including any amendments.

8.2 Cooperation – The council of the First Nation must direct the following persons to cooperate with the reviewer when carrying out a review of the First Nation's financial management system:

a. all councillors, officers, employees and auditors of the First Nation; and

b. all contractors, agents or advisors of the First Nation who are performing any services for or advising the First Nation respecting its financial management system or who have custody or control over any First Nation records.

8.3 Nature of required cooperation – The FMB may require the First Nation to set out in writing in a council resolution, the duties of the obligation to cooperate referred to in section 8.2 which include, but are not limited to, the following:

a. giving access to and providing copies on request of all First Nation records respecting the First Nation's financial management system and local revenues system;

b. giving access to all First Nation offices and premises;

c. making persons referred to in procedure 8.2.a available to meet with and answer questions of the reviewer;

d. authorizing financial institutions to meet with and answer questions of the reviewer respecting the review;

e. if the First Nation is or intends to apply to become a borrowing member of the First Nations Finance Authority, a confirmation that the First Nation has;

   i. enacted and brought into force a law or laws respecting financial administration for which the FMB has issued a compliance approval under section 9 of the Act;

   ii. not repealed the law or laws referred to in subparagraph i; and

   iii. not amended or repealed and replaced the law or laws referred to in subparagraph i without requesting the FMB to review the law or laws and issue a compliance approval under section 9 of the Act;

f. a confirmation that all information provided to the FMB in a request under this section is true and correct as at the date the information was provided, is not misleading or deceptive in any respect and does not omit any material facts; and

g. authorizing the First Nations Finance Authority and the First Nations Tax Commission to meet with and answer questions of the reviewer respecting the review.

8.4 Notice of failure to cooperate – If the First Nation fails to cooperate with the reviewer as required in this section, the reviewer must give a detailed written notice to the FMB with a copy to the First Nation.

8.5 FMB suspension of review – After receipt of a notice from the reviewer under procedure 8.4, the FMB may direct the reviewer to suspend the review until such time as the council of the First Nation provides satisfactory assurances that the review may be conducted in accordance with these procedures.

9.0 CONDUCT OF REVIEW AND REPORT TO FMB

9.1 FMB policies – The reviewer will conduct the review in accordance with any applicable FMB policies.

9.2 Normal procedures – The review will normally include a desk review of submitted documents, on-site visits and inspection of documents and records and interviews and may include removal of copies of documents and records for additional desk review.

9.3 Report to FMB – The reviewer will deliver a report to the FMB setting out the reviewer's findings of the formal review.

9.4 Determination by the FMB – The FMB will consider the report of the reviewer and determine if, in the FMB's opinion, the First Nation was in compliance with the *Financial Management System Standards.*

10.0 REPORT TO FIRST NATION

10.1 Required report – After making its determination under procedure 9.4 the FMB will provide the First Nation with a report required by subsection 50(2) of the Act setting out the following:

a. the scope of the review undertaken;

b. an opinion as to whether the First Nation was in compliance with the *Financial Management System Standards* or as to which aspects of the Standards were not complied with by the First Nation; and

c. the FMB's determination under procedure 9.4.

10.2 Request for meeting – Within thirty (30) days after receipt of a report containing the information set out in procedure 10.1.c, the council of the First Nation may request a representative of the FMB to meet with the council.

10.3 Meeting within thirty (30) days – After receipt of a request under procedure 10.2, the FMB will appoint a representative to meet within thirty (30) days with the council of the First Nation to discuss the report.

11.0 FINANCIAL MANAGEMENT SYSTEM CERTIFICATE

11.1 Certificate issued – If, after completing the formal review of the First Nation's financial management system, the FMB determines that the First Nation was in compliance with the *Financial Management System Standards*, the FMB will issue the First Nation a Financial Management System Certificate under subsection 50(3) of the Act.

11.2 No certificate issued – If, after completing the formal review of a First Nation's financial management system, the FMB determines, in its opinion, that the First Nation was not in

compliance with the *Financial Management System Standards*, the FMB will not issue the First Nation a Financial Management System Certificate.

11.3 Copy to institutions – With the consent or on request of the First Nation, the FMB will provide the First Nations Finance Authority and the First Nations Tax Commission with a true copy of a certificate issued under procedure 11.1.

12.0 POST CERTIFICATE INFORMAL REVIEW

12.1 Post Certificate informal review – If a First Nation has been issued a Financial Management System Certificate, the First Nation may, by a resolution of the council of the First Nation, request the FMB to conduct an informal review of all or part of its financial management system for the purpose of giving an informal report on the state of all or part of the First Nation's financial management system.

12.2 Role of reviewer – Procedures 7.1 to 7.3, 8.0, 9.1 and 9.2 apply to the conduct of an informal review under this section.

12.3 Report of reviewer – The reviewer will deliver a report to the FMB setting out the reviewer's findings in an informal review under this section.

12.4 Informal review results – After considering the report of the reviewer under procedure 12.3, the FMB may take one or more of the following actions:

a. give a written report to the First Nation setting out the scope of the FMB's review and including one or more of the following:

   i. giving the FMB's findings respecting the state of all or part of the First Nation's financial management system;

   ii. specifying aspects of the First Nation's financial management system which were not in compliance with the *Financial Management System Standards*;

   iii. recommending any remedial measures necessary to bring the First Nation's financial management system into compliance with the *Standards*; and

   iv. specifying a period of time within which such remedial measures should be taken;

b. consider revocation the First Nation's Financial Management System Certificate under procedure 13.0; and

c. if the First Nation is a borrowing member of the First Nations Finance Authority, advise the Authority of the results of the FMB's review.

12.5 Certificate request – If a First Nation has been issued a Financial Management System Certificate and wishes the FMB to issue it a new Certificate under section 50 of the Act, the First Nation's request should be made under procedure 6.0.

12.6 Template forms – The recommended template form for the resolution required in procedure 12.1 is on the FMB's web site (www.fnfmb.com).

13.0 REVOCATION OF CERTIFICATE

13.1 Notice of intention to revoke – After giving reasonable written notice to the council of a First Nation, the FMB may revoke a Financial Management System Certificate issued to the First Nation if, on the basis of financial or other information available to the FMB, it is of the opinion that grounds set out in subsection 50(4) of the Act for revoking a certificate exist.

13.2 Contents of notice – The notice in procedure 13.1 must

a. include the financial or other information available to the FMB on which it intends to make its decision to revoke the Financial Management System Certificate, and

b. give the First Nation a reasonable opportunity to respond before the FMB makes its decision.

13.3 Notice of decision – The FMB will give written notice of its decision to revoke a Financial Management System Certificate to

a. the council of the First Nation,

b. the First Nations Finance Authority, and

c. the First Nations Tax Commission.

13.4 Required remediation – If the FMB revokes the Financial Management System Certificate of a First Nation that is a borrowing member of the First Nations Finance Authority, the First Nation must, without delay, take any measures required to re-establish its certification.



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