

**Successful Management Under A Remedial Management Plan  
Grant Thornton LLP**

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## **Grant Thornton LLP**

For more than half a century, Grant Thornton has built a thriving practice working with enterprising clients to achieve results, to the point where we are, with our Quebec affiliate, the sixth largest chartered accounting and advisory services firm in Canada, and the largest in Atlantic Canada. Our firm has 2,300 partners and professional staff working in 120 offices across Canada.

Shaped by the entrepreneurial spirit of our clientele, Grant Thornton is staffed by well-rounded, Community-minded people who rely on practical experience to create workable solutions for our clients. Each of our partners is a well-seasoned generalist who fully understands the client's enterprise and draws on firm specialists and other resources, as required. Through this approach to account management, Grant Thornton has forged and sustained strong partnerships with clients through the entire life cycle of their businesses.

All Grant Thornton personnel are equipped and trained to offer you a spectrum of services. Our commitment to the training and development of future chartered accountants and management consultants is evident in our involvement with professional education and the excellent results achieved, both academically and practically, by our personnel.

You will find Grant Thornton's people deeply involved in Community work. These interests not only bring a well-rounded person to your team, but someone who is familiar with local business conditions and contacts.

Our on-going training ensures that our personnel are highly competent and able to adapt to the changing needs of our clients. The first priority of all our personnel is to be readily accessible and available to clients.

### **Our First Nations Experience**

Our firm has extensive experience in providing auditing and related services to Aboriginal Bands and related organizations across Canada. The following are some of the services that we provide (or have provided). This is not an all-inclusive list but will illustrate our extensive work experience and relationship with aboriginal people and organizations.

- Co-management and related business advisory services.
- Audit, accounting, and computer consulting.

- Conflict resolution.
- Audit, monthly accounting services, computer consulting, policy development, internal controls review, and development of financial reporting model.
- Audit of Fish and Wildlife Commission.
- Audit of Band and related agencies.
- Third party management services.
- Audit and accounting, internal and financial controls review, business advisory services, audit of CMHC housing projects, and human resources.
- Audit and accounting, review of compliance with contribution agreements, and computer training.
- Audit and accounting, feasibility study, computer training, and business advisory services.
- Audit and accounting, compliance review with contribution agreements with Department of Fisheries and Oceans.
- Audit and accounting, executive recruitment.
- Third party management and related business advisory services.
- Audit and accounting.
- Audit, computer consulting, and financial projections.

### **Our Co-management Experience**

Our firm has extensive experience in providing assurance and advisory services to First Nations as evidenced by the above listing. The expansion of our services to include Co-management and Third Party Management services has been a natural extension of the services that we offer to both Native and Non-native entities through our Assurance and Financial Services groups.

We have an established Financial Services practice throughout the country offering a range of services including forensic accounting, corporate recovery, balance sheet restructuring, financing, due diligence, and strategic business planning. The systems we have in place and the experience we have gained through these assignments lends itself well to working as Co-manager.

Our specific experience with Co-management is extensive. In all circumstances we feel that we have fulfilled the mandate established by Indian and Northern Affairs Canada (INAC) while doing so in a manner which has brought value to the First Nations.

**John MacNeil, CA, CFP**

A Chartered Accountant, John MacNeil is a partner with Grant Thornton LLP in Sydney, Nova Scotia. He is also the National Sector Leader for the Grant Thornton LLP Aboriginal Practice in Canada.

Mr. MacNeil has provided a variety of assurance and consulting services to the First Nations served by the Sydney, Nova Scotia office. Several specific services he has provided to the Aboriginal Sector include: Supervised and performed audit services to First Nations and other Aboriginal organizations in Cape Breton; Engagement partner responsible for providing Co-management services to several Atlantic Region First Nations; Performed a comprehensive operational audit for a First Nation Organization. This included developing a human resource policy manual, job descriptions, organization structure, and implementing financial system controls; Installation of a computerized accounting system for several organizations, assisting with all aspect of the accounting control structure; Assisted with human resource functions such as executive recruitment and assisting with employment interviews for a First Nation and a First Nation Organization; Assisting a First Nation with evaluation of a Band owned enterprise including assessment of management skills, financial control systems and the preparation of a financial forecast; Assisted First Nation Communities with Creditor Negotiation, Debt Restructuring, and Refinancing; Currently working with several First Nation agencies providing monthly accounting support.

**Stephen W. Ashe, CAFM, CGA**

A Certified General Accountant, Stephen W. Ashe is a Manager with Grant Thornton LLP in Moncton, New Brunswick.

For the last nine years, he has been working closely with multiple First Nations throughout Atlantic Canada, Quebec and Ontario as the onsite representative of the Third Party Manager and the Co-manager appointed by the INAC. In this fast paced and demanding role he has been responsible for all Band operated programs, not only in a financial capacity, but also to ensure the effective and efficient delivery of programs and services in accordance with the terms and conditions of the diverse funding agreements between the First Nations and the various levels of government.

From 1997 to 2006, working closely with First Nations, he has developed numerous Remedial Management Plans, business plans, and monthly financial reports and banking proposals. In addition he has assisted in the development of a fiscal planning calendar and has carried out forensic assignments.

## What is a Remedial Management Plan?

Before we get into the technical components of a Remedial Management Plan (RMP) lets take a moment to look at the emotional side of INAC imposed intervention on a First Nation. The imposition of an outside, usually non-Native, individual or organization by INAC on a First Nation can, and most likely will, bring forth a variety of reactions. It is critically important that any Third Party Manager or Co-manager understand this fact. It is a grieving process that must be allowed to run its natural course.

Emotions tend to run high. Band Council is hurt and offended. Most often Band Council resents the fact that INAC has imposed an outside party to “manage the affairs” of their Community. Some Community Members feel the same way as Band Council, while others welcome, albeit quietly, the outside assistance.

A First Nation put under outside intervention experiences several phases, not unlike those that any individual might experience when first diagnosed with a serious illness – denial, anger, acceptance, healing and hope. Band Council and many Community Members may deny the fact that they require outside assistance to run the affairs of their Community. Often they feel that all that is required to solve any real or perceived problems is additional funding from INAC. They are angry that INAC has the right to impose outside intervention in the first place and that it is happening to them specifically. Some may even challenge the legality of INAC intervention measures. Slowly, over time, if the Third Party Manager or Co-manager can work together effectively with band Council and Band staff, there will be hopefully some degree of acceptance, healing and hope for a brighter future.

There are three levels of intervention that INAC can impose upon a First Nation. When a Band’s cumulative deficit reaches 8% of its total annual funding/revenue, INAC can consider the following three options: (1) a self-administered Remedial Management Plan (RMP); (2) Co-management and; (3) Third Party Management. Depending upon the specific circumstances – financial and otherwise – INAC will decide which option they choose. Option (2) and option (3) will include the development of a RMP.

A RMP is a comprehensive deficit recovery plan, which encompasses all sources of funding/revenue and expenditures and includes an annual surplus target. It must be approved by Band Council and INAC. It is imperative that Band Council be involved in the development and implementation of the RMP. Without the political will the RMP will not succeed.

One of the very first questions to be asked when developing a RMP is **“Why are we here today?”** The development of the RMP is intended to reflect on this question, determine and analyze the reasons, and then plan ways to proceed into the future in such a way as to alleviate the deficit.

The RMP will contain a description of the First Nation including a narrative on the programs and services provided by the Band to its Members. It will include some statistical information and a brief history of the build up and causes of the deficit. It will present a detailed budget and cash flow statement for all Band programs, usually for a five-year period. It will present annual deficit reduction targets that will extend out for a period long enough to eliminate the Band's accumulated deficit.

INAC will not normally agree to a period of deficit elimination that projects out beyond a ten-year period. INAC may also expect to see a significant contribution from non-INAC funded programs, i.e. Band generated revenues, to the deficit reduction target. It has been our experience that INAC takes a negative view if the entire annual surplus target is generated from INAC funds. INAC may perceive that the Band is being over funded.

For references purposes INAC does have RMP templates available as a guideline for First Nations to use to facilitate the development of their own plan. One such template is attached as Appendix "B". While this is a fairly generic model it is useful for many First Nations when developing a RMP. Some First Nations will develop a much more personalized RMP.

The RMP should also include capacity development plans. It should describe the shared responsibilities under the RMP – the responsibilities of the First Nation, the responsibilities of Co-manager or Third Party Manager as the case may be, and the responsibilities of INAC. Attached as Appendix "A" is a suggested list of Co-management responsibilities.

The RMP will include a list of policies that must be approved by Band Council and INAC and subsequently implemented. The required policies will generally include, but are not limited to a financial management policy, a personnel policy, a tendering policy, a conflict of interest policy and a housing policy. The RMP will also include a list of control measures that must be put in place.

As we will discuss later on in this presentation one of the most important factors in developing a RMP is to ensure that the annual deficit reduction targets are realistic and achievable. Suffice it to say for now setting unrealistic annual deficit reduction targets will lead to certain failure.

## Selecting the Right Co-manager

Not all First Nations that operate under a RMP require the services of a Co-manager. However, when the need does arise it is very important that a First Nation select a Co-manager who is a good fit for their Community. As we will discuss in more detail later on, there are many ways to measure success that extend beyond the bottom line.

The first and most important quality in a good Co-manager is someone who's thinking and approach mirrors this philosophy.

As a guideline to selecting a Co-manager we will now touch on the Grant Thornton LLP approach to Co-management. You may find this helpful if you are faced with evaluating proposals you receive from potential Co-managers.

It is important for the new Co-manager to begin the Co-management assignment by developing a firm understanding of the goals and objectives of Band Council and the role that is expected of Co-management. During the first month of the engagement the Co-manager should develop and present to Band Council for approval a Management and Capacity Plan which will outline the Co-management plans for the upcoming year.

There are certain key principles that should guide the Co-management process. **Band Council must be the decision makers:** Co-management must ensure that Band Council has accurate and timely financial information upon which to base decisions. Co-management should provide advice and interpretation when necessary, but if the Co-management is to be successful, the Co-manager cannot take over responsibility for decisions.

**The Co-manager must work cooperatively with Band Council:** The Co-manager must work cooperatively with Band Council and Band management toward achieving the established goals. The relationship should be that of a team approach and not confrontational. Co-management must strongly believe in a collaborative approach.

**Co-management is a short term assignment:** Co-management success will be determined by how well the Co-managers are able to transfer the required skills to the Band management and the strength of the financial control system which is in place upon completion of the assignment. Co-management should not be seen as a permanent addition to the management structure.

**The Co-manager must be able to provide a Co-management team:** Effective and successful Co-management requires a range of skills, objectivity, and independence, along with supervision and support for the on-site staff. This can only be achieved by assigning a team to the project. A sole-practitioner would most likely find the challenge overwhelming.

**Quality services/cost effective delivery:** Co-management represents a substantial investment of the Community's resources. The Co-manager must strive to ensure that the Community gets value for their investment.

A customized approach must be developed for each Co-management assignment, one which addresses the concerns of INAC and the unique circumstances of the First Nation. The first priority of Co-management must be to ensure the delivery of services under the various funding agreements and maintaining financial accountability for disbursements.

In addition, Co-management must also endeavor in any means possible to assist the Band in strengthening their financial management systems and building the financial capacity of the Band staff.

## **The Importance of Timely and Accurate Financial Information**

Once the First Nation has decided upon their Co-manager it is important to establish a timeline for the delivery of service. The first step should be to gather financial information to garner an understanding of the current financial situation of the First Nation and the contributing factors that led to the requirement for a RMP.

When analyzing the current financial situation the First Nation must review and analyze the current and long-term obligations with their present banking institution. In addition one must ascertain the proper amount of indebtedness owed to the various suppliers to the First Nations. It is also important to determine the correct amounts that may be owed to the various provincial and federal authorities. Once gathered, this information can then be used to determine if there exists an opportunity to restructure the bank indebtedness. This may allow the First Nation to free up some monthly cash flow to be used for other purposes.

Perhaps an opportunity also exists to meet with the various suppliers to the First Nation to renegotiate payment terms and/or outstanding amounts or perhaps negotiate the forgiveness of interest charges on unpaid balances. Our experience has shown that the Canada Revenue Agency and various provincial authorities are willing to negotiate outstanding balances.

We cannot overstate the importance of timely and accurate financial information. The Aboriginal Financial officers Association has developed an excellent pool of information available to assist First Nations in understanding, reporting and presenting financial information. The website is [http://www.foa.ca/acfme/resources\\_financial\\_foa.asp](http://www.foa.ca/acfme/resources_financial_foa.asp)

Timely and accurate information will allow Band Council to make effective decisions. The main documents that generally form a part of the financial reporting process and the reporting requirements under the RMP include the annual budget and cash flow statement, the monthly financial statement and the monthly cash flow statement.

We will start with the annual budget. When developing a RMP it is important to prepare a detailed budget for the fiscal year, one which includes all Band operated programs. The most effective approach is to include the involvement of and input from the various program managers/directors. These are the individuals that are responsible to ensure that the various programs deliver the services to the Members of the Community while at the same time operating within the financial constraints of the funding arrangement. We recognize that this is not always possible so it becomes even more important to work with Band Council and Band Management to establish additional sources of funding/revenue or alternatively find ways to reduce expenditures.

Once an annual budget has been established it is a useful exercise to begin developing a five year plan, one that includes annual projections for each of the subsequent four years.

We have included as Appendix “D” a suggested format to be used when developing the annual budget. We have selected one specific Band operated program, Education to use as an example.

The cash flow statement is probably the most critical piece of information to any organization, First Nations or otherwise. Many First Nations operate on very tight budgets where funding can be quickly halted for non remittance of required reporting to the various funding agencies. While that is a discussion for another time and place suffice it to say that a shortage of cash can be devastating. Band Councils are charged with the responsibility of providing essential services to their Members. A lack of working capital can prevent this from happening. That can quickly lead to outside intervention being imposed.

We have included as Appendix “E” a suggested format to be used when developing the annual cash flow projection. We have also included as Appendix “F” a suggested format to be used when developing a monthly financial statement. Once again, we have selected one specific Band operated program, Education to use as an example.

That is because exceeding the 8% threshold discussed earlier is not the only grounds that can cause INAC to impose intervention on a First Nation. Should INAC determine that there are serious health or safety matters not being addressed or that the First nation’s ability to properly administer programs and projects has been seriously compromised, say due to a lack of available cash flow, then intervention can also occur.

One additional point to mention here is the importance of good financial controls. This includes having a suitable accounting software package; one that is sufficiently sophisticated to properly handle the day-to-day accounting activities. A proper accounting software package will help to ensure that the information is processed on an accurate and timely basis thereby producing more meaningful output for Band Council to use when making decisions.

## **Communication**

The importance of good, open and honest communication cannot be overstated. The first step in good communication is, however, good listening. Listening is a very important skill that is required in the role of a Co-manager.

Co-management must listen to, become familiar with and work to understand the unique needs, goals and cultural nuances of each First Nation Community. Without going through this process Co-management will look at the First Nation like any other business organization and will constantly struggle to achieve success. In all likelihood Co-management will quickly fail.

First and foremost Co-management must have an open and communicative relationship with Band Council. As was stated earlier for Co-management to be successful Band Council must be the decisions makers. But in order to make good sound financial decisions Band Council must have timely and accurate information. And in order for Band Council to have timely and accurate information to be the effective decision makers of the Community Co-management must communicate this information to Band Council on a regular basis.

Not all Band Council Members are trained financial professionals. Herein lays the dual role of Co-management. First, Co-management must convey the financial information to Band Council to aid them in their decisions making process. Secondly, Co-management should strive to create financial capacity among the Band Council Members. Co-management must work with Band Council to help them understand the financial information that is being presented to them.

As we will see later on Band Council measures success in many ways, often with little or no consideration being given to the financial impact of their decisions. If the financial information being presented to Band Council is not communicated properly often the financial impact of any decision will be lost on Band Council. This will often lead to a clash resulting in a decrease in communication.

We have included in our presentation, as Appendix “C” a copy of a traditional Native Code of Ethics. We have found this document has helped make for more meaningful and productive communication when working with Band Council and Band staff.

Regular communication to Community Members is also important; some might say critical. Community Members are the major stakeholders to whom Band Council must report. The RMP should be fully explained to Community Members so that they can better understand and appreciate the decisions that band Council must make in order to adhere to the terms and conditions of the RMP.

## Understanding Funding Arrangements

INAC uses a myriad of terms when describing their various funding arrangements. It is important that the various funding arrangements are fully understood so as to take full advantage of the various terms and conditions and to achieve success while operating under an RMP.

INAC has developed two types of funding arrangements for use with First Nations which have not entered into their own self-government agreements.

The first type is a one-year funding arrangement called **Comprehensive Funding Arrangement (CFA)** (see **definition below**). This type of arrangement is a program-budgeted funding agreement that INAC enters into with First Nations for a one-year duration.

The second type of funding arrangement is an arrangement that can be entered into for a period up to five years called **Canada/First Nation Funding Agreement (CFNFA)** (see **definition below**). This type of arrangement is a **block-budgeted funding agreement** and is also referred to as **Alternative Funding Arrangement (AFA)** and **Financial Transfer Agreement (FTA)**. This arrangement is more flexible than the one-year arrangement and allows longer term planning.

First Nations can make decisions concerning the use of the funding and may redesign programs to meet specific community needs, subject to maintaining minimum delivery standards. Minimum standards do apply to ensure that a guaranteed level of service is occurring. This type of funding encourages creative and innovative ways of providing programming as any money saved can be used by the First Nation on other priorities within the community.

### **Comprehensive Funding Arrangement (CFA)**

The Comprehensive Funding Arrangement (CFA) is a program-budgeted funding agreement that INAC enters into with Recipients for a one year duration and which contains programs funded by means of **Contribution** (see **definition below**), which is reimbursement of actual expenditures; **Flexible Transfer Payment** (see **definition below**), which is formula funded and surpluses may be retained provided terms and conditions have been fulfilled; and/or **Grant** (see **definition below**), which is unconditional.

### **Canada/First Nations Funding Agreement (CFNFA)**

The Canada First Nations Funding Agreement (CFNFA) is the successor to earlier block-funded arrangements. It is a block-budgeted funding agreement that INAC and other federal government departments enter into with First Nations and Tribal Councils for a five year duration.

The CFNFA is a funding agreement which contains a common set of federal government funding terms and conditions in the main body of the agreement, while schedules attached to the agreement contain terms and conditions specific to each federal department.

The CFNFA defines minimum standards for a local accountability framework in order to transfer increased authority to First Nations over program design and delivery and the management of funds. First Nations may redesign programs to meet specific community needs, subject to maintaining minimum delivery standards, and may reallocate funds between program areas. CFNFA Agreements are able to contain at least two streams of funding: core and targeted programs.

### **Targeted Programs**

Targeted programs are time limited and specific undertakings. Targeted programs can be in the form of contribution funding, flexible transfer payments or grants (**see Comprehensive Funding Arrangement**).

### **Contribution Funding (Contr)**

Contribution funding is a conditional transfer payment for a specified purpose that is subject to being accounted for or audited for the purpose of determining adherence to terms and conditions of payment and for which unexpended balances or unallowable expenditures are to be reimbursed to the Crown.

### **Flexible Transfer Payment (FTP)**

A flexible transfer payment is a conditional transfer payment for a specified purpose for which unexpended balances may be retained by the Council, provided that the program terms and conditions have been fulfilled by the Council. Any Deficit is the responsibility of the Council.

### **Grant**

A grant is an unconditional transfer payment.

### **Surpluses and Deficits – Targeted Programs**

For each program or service identified as a **Contribution**:

- a. Any Surplus shall be reimbursed by the Council to INAC. Where there is more than one funding source for the program or service, the Council shall reimburse INAC a portion equal to INAC's contribution to the program or service; and

- b. any claims eligible for reimbursement under the terms and conditions of this Arrangement shall be reimbursed by INAC to the Council.

For each program or service identified as a **Flexible Transfer Payment or Grant**, any Surplus shall be retained by the Council and any Deficit shall be the responsibility of the Council. With respect to the Surplus amounts referred to in this paragraph, the Council may use noncapital Surplus amounts at its discretion and shall use capital Surplus amounts for projects on the INAC Approved Capital Plan.

Amounts for contribution items are based on reimbursement of eligible expenditures however; this does not exempt this type of funding from being capped. Therefore, and

depending on the terms and conditions of the contribution funding Council can be responsible to fund a deficit if it should occur, i.e. deficit not fundable.

**Block funded** agreements qualify for the **DFNFA annual adjustment**. Targeted flexible transfer payment program dollars do not qualify for the DFNFA annual adjustment.

## **Measuring Success Under a Remedial Management Plan**

As we briefly mentioned under the heading “**Selecting The Right Co-manager**”, when evaluating the progress made under an RMP we have learned that there are many ways to measure success. Certainly there is the financial barometer. Simply put what was the deficit reduction target for the year and what was the actual surplus for the year. Nice and neat right! Wrong! It is never that simple.

It has been our experience that Band Councils understand the importance of working within budgets and achieving surplus targets. They understand the significance of maintaining adequate cash flow in order to deliver essential programs and services to their Community.

However, it has also been our experience that Band Councils understand and strongly believe in the value of job creation, capacity building, enhancing self-esteem, Community healing and cultural values and traditions. Band Councils believe that there are many additional ways to measure success that extend beyond the bottom-line. One such measure of success is providing good quality housing to their Community Members.

Our work with First Nations has shown us that Band Councils realize that reducing the cumulative deficit of their First Nation will serve to strengthen the financial health of their Community on paper, but they also know that it will not materialize without non-financial ramifications. Often they believe that the infrastructure of their Community will suffer greatly. They also believe that it will add to the ongoing housing crisis.

Sometimes, for reasons unforeseen and not controllable by Band Council annual deficit reduction targets will not be achieved. It is important to know this fact as early as possible in the fiscal year so that immediate and corrective action can be undertaken and plans can be revised. The early detection of such matters and the advising of all parties involved (Community Members, INAC, the Bank, etc.) will eliminate the dreaded year-end audit surprise.

It has been made clear to Grant Thornton LLP while working with First Nations that every financial decision that Band Council must make has an immediate and very real human consequence. When making decisions Band Council must weigh what may be best for the bottom line against what may be best for the well-being of their Community Members.

Appendix “A” – Advisory Role

**Part IV - Co-manager Responsibilities**

**4.0 For its part, the Co-manager is responsible for the following:**

- 4.1 Actively participating in the monthly monitoring regime as outlined in Appendix 2 (*On-Site RMP Monitoring Meetings*).
- 4.2 In conjunction with the Council, preparing monthly variance reports that establish comparisons between budgets and actual expenditures.
- 4.3 In conjunction with the Council, implementing administrative policies, procedures and methods to ensure sound financial control and management practices.
- 4.4 In conjunction with the Council, approving and authorizing all expenditures and payments to ensure that they fall within the applicable program criteria and that appropriate management controls are in place when/if it may be determined that modification of the authorized budget is warranted.
- 4.5 In conjunction with the Council, using reasonable efforts to ensure that Council operates within its approved budget and achieves its annual RMP deficit reduction targets.
- 4.6 Providing to the Minister and Council monthly progress reports on the items identified in Appendix 3 (*Co-management Progress*).
- 4.7 Making themselves familiar with the terms and conditions of this Co-management Agreement and committing themselves to operating within Council’s approved policies.
- 4.8 In conjunction with the Council, ensuring that the RMP, the control measures outlined in Appendix 1 (*Council Listing of Control Measures*), and the recommendations contained in Appendix 5 (*Auditor’s Management Letter*) are followed.
- 4.9 Implementing a policy and process for collecting accounts receivable and restricting advances.
- 4.10 On a date specified by the Council, and no less than once a month, delivering to Council a statement showing:
  - (1) Itemized receipts, disbursements and commitments of the Council during the preceding month;
  - (2) The standing of all accounts and the general ledger balances as of the last day of the preceding month;

- (3) Variance reports indicating any deviations from monthly budget projections and year-end forecasts; and,
  - (4) Any other information that may be required by Council and funding agencies.
  - (5) A request for feedback from Council on the report provided by the FSO at the monthly RMP monitoring meetings.
- 4.11 Notifying all financial institutions of changes in signing authorities, as they may occur.
- 4.12 In conjunction with the Council, preparing a consolidated operating budget for each fiscal year by March 8.
- 4.13 In conjunction with the Council, maintaining the Council's financial accounting system in an up-to-date manner in accordance with generally accepted accounting principles.
- 4.14 Working with the Council to ensure the ongoing implementation of the *First Nation Management and Capacity Plan*, which is attached to the RMP.
- 4.15 Administering, in conjunction with Council, all of the INAC programs, services and related funding under control of the Council.
- 4.16 In conjunction with the Minister and Council, completing a comprehensive review of Council's Management Assessment Report, and developing and implementing a revised Management Development Plan.
- 4.17 Notwithstanding the foregoing, the Co-manager shall not be responsible for any debt or obligation incurred by the First Nation or by any member of the First Nation unless and except where the Co-manager has provided its written authorization to the First Nation or member of the First Nation, in advance, and provided further that said authorization bears the actual signature of an authorized signing officer of the Co-manager.
- 4.18 To be on-site, at the First Nation, a minimum of 100 hours per month for the duration of this agreement, unless otherwise approved by the Minister.

**Appendix “B” – INAC Remedial Management Plan Template**

**Funding Agreement No.** \_\_\_\_\_

**Amendment no.** \_\_\_\_\_

Amendment To Funding Agreement

First Nation: \_\_\_\_\_ *legal name* \_\_\_\_\_

Commencement Date:

Revision Date: \_\_\_\_\_ (*insert date, if applicable*)

Completion Date:

Between

Her Majesty the Queen in Right of Canada as represented by the Minister of the Department of Indian Affairs and Northern Development referred to in this Agreement as the “Minister”

And

The \_\_\_\_\_ *legal name* \_\_\_\_\_ as represented by the Chief and Councillors and referred to in this Agreement as the “Council”.

**Part I – Basic Requirements**

**1.0 The Remedial Management Plan (RMP)**

1.1 The Council has an adjusted cumulative deficit of \$ \_\_\_\_\_ as at \_\_\_\_\_, as indicated by the 200\_\_-200\_\_ Audited Consolidated Financial Statements (Appendix 1).

1.2 INAC Analysis:

*A summary of factors leading to the requirement for the Remedial Management Plan should be noted. These include such things as audit recommendations, terms and conditions in Funding Agreements, requests of financial institutions, and Council and/or INAC policies.*

- 1.3 This RMP is for a \_\_\_\_ year period commencing during the fiscal year 200\_\_-200\_\_ and ending fiscal year 200\_\_-200\_\_. Should the monitoring of this RMP and its terms and conditions indicate that progress is not being made by the Council, the Minister may consider an increase in the level of intervention to one of Co-management or Third-party Management.
- 1.4 The Council agrees to operate for the balance of fiscal year 200\_\_-200\_\_ in accordance with its Consolidated Projected Statement of Revenue and Expenditure to March 31, 200\_\_ (Appendix 2) and the Council Listing of Control Measures (Appendix 3), which form an integral part of this RMP.
- 1.5 In accordance with the outcome of the Council's 200\_\_-200\_\_ audited financial statements, the Council agrees to implement the recommendations of both its auditor in the Auditor's Management Letter to Council (Appendix 5), and INAC in its Regional Audit Review Committee letter to Council dated \_\_\_\_\_.
- 1.6 The Council agrees to meet on \_\_\_\_\_ *date* \_\_\_\_\_ and on a \_\_\_\_\_ *frequency* \_\_\_\_\_ basis thereafter for the life of the RMP, with an INAC Funding Services Officer to review its consolidated financial position and to analyze variances, if necessary, to ensure the successful completion of the RMP. This will include an annual progress review coincident with the Audit Review Committee's analysis of the audited financial statements. The general requirements for these meetings are outlined in the On-Site RMP Monitoring Meetings (Appendix 4).
- 1.7 The Council wants to assure the Minister that essential services will be maintained, specifically those related to Health and Safety, and mandatory Social Assistance and Educational Services.
- 1.8 The Council agrees to develop and submit a Consolidated Projected Statement of Revenue and Expenditure (as in Appendix 2) to the Minister by March 8th, 200\_\_, for the fiscal year 200\_\_-200\_\_ and annually thereafter on that date for the upcoming fiscal year.
- 1.9 Significant revisions to this RMP may be made with the agreement of both parties through the normal Funding Agreement Amendment process.
- 1.10 This RMP may be terminated by the Minister by giving 30 days notice in writing to the Council by registered mail.

- 1.11 Full resolution of the problems specified in this Remedial Management Plan, as verified by the Minister, will constitute the completion of the RMP.
- 1.12 The Council agrees to provide for Minister's approval, on or before March 8th of each fiscal year for the life of the RMP, a list of capital projects that are to be applied against any capital advances provided. Capital projects will meet the same program criteria and technical terms and conditions as all other capital projects as described in the Funding Agreement.
- 1.13 The Council's progress under the RMP will be reviewed monthly and annually, as applicable, based on the items identified in the First Nation Responsibilities (Appendix 6).

## **Part II - Council Analysis and Action Plan**

### **2.0 OVERVIEW**

*This section should provide a synopsis of problem financial and management areas identified by the Council as contributing to the debt and deficit situation at the First Nation. A brief history of corrective measures undertaken to date by the Council to address the situation and results of each should be included.*

*A summary of factors leading to the requirement for development of a Remedial Management Plan should be noted. These include such things as audit recommendations, terms and conditions.*

### **2.1 Management Issues**

*List the issues, providing more specific information on management practices which have contributed to particular program deficits.*

*This could include such things as: inter-program cash transfers, disagreements over the past funding levels, decisions to debt-finance certain projects, ongoing negotiations, account receivable issues, personnel management or training needs, inadequate or untimely information flows, etc.*

2.2 Financial Commentary

*Provide a detailed description (possibly including a graph or chart) of how and when the deficit escalated in each program area.*

*Describe the current financial position in both consolidated and program-specific terms.*

2.3 Objectives

2.3.1 Financial Objectives.

*This section should identify the financial objectives of the Remedial Management Plan. It should show the term over which the cumulative deficit will be retired, as well as the specific annual targets necessary to reach the overall cumulative deficit reduction objective.*

\* the cumulative deficit of \$ \_\_\_\_\_ will be retired over \_\_\_ years.

\* annual deficit reduction targets to retire the total cumulative deficit are:

Year 1	200__-200__	\$
Year 2	200__-200__	\$
Year 3	200__-200__	\$
Year 4	200__-200__	\$
Year 5	200__-200__	\$ _____
Total		\$

\* annual targets to retire certain liabilities identified by the Minister are:

Year 1	200__-200__	\$
Year 2	200__-200__	\$
Year 3	200__-200__	\$
Year 4	200__-200__	\$
Year 5	200__-200__	\$ _____
Total		\$

2.3.2 Program Area Objectives.

*Identify, by program area, the reduction in expenditure or increase in revenue which will result in the total targeted surplus for each fiscal year. The figures should be accompanied by a narrative describing the specific actions to be carried out to achieve the amounts identified.*

*As well, Council should address any potential impacts on the level of service resulting from projected decreases in expenditures.*

### 2.3.3 Management Objectives.

*When Management Issues have been identified in Section 2.1 as significant contributors to the cumulative deficit, they should each be addressed. This section should identify the specific action planned to address each management issue. For example, if a training deficiency is identified for a particular person or group, identify what type, the anticipated cost, when it will be scheduled and what results are to be achieved.*

Management Issue One: \_\_\_\_\_

*Action Plan: This should identify the objectives to be achieved, as well as the “who, what, when, why, where and how” associated with the plan. A systematic evaluation of progress should form part of the plan with specific implementation dates and target completion dates.*

*Replicate for each management issue to be addressed by the Council.*

## **Part III - Council Responsibilities**

- 3.0 For its part, the Council shall be accountable to both their band members and the Minister by:
  - 3.1 Actively participating in the development of the RMP, providing a commitment to retire the cumulative deficit, and solving their financial and management problems by carrying out all aspects of this Remedial Management Plan.
  - 3.2 Actively participating in the monthly monitoring regime as outlined in the On-Site RMP Monitoring Meetings (Appendix 4).
  - 3.3 Reviewing and approving a consolidated operating budget for the remainder of this fiscal year and subsequent annual consolidated operating budgets, which will allocate the financial resources and funding received by the Council to its various departments and programs. Making a copy of this budget available to band members by posting it in the band office.
  - 3.4 Approving by Band Council Resolution any revisions to either its currently approved consolidated operating budget, or to subsequent years' consolidated operating budgets.
  - 3.5 Holding a community meeting to review all aspects of this Remedial Management Plan with its membership within 30 days of signing this agreement.

- 3.6 Making available its monthly financial statements for the scrutiny of the general membership by posting them in the Band Office.
- 3.7 Reviewing monthly consolidated financial statements and reports with the Band Manager in a duly convened Band Council meeting with the understanding that only expenditures previously budgeted in accordance with Section 1.4 will be incurred.
- 3.8 Making themselves familiar with the terms and conditions of this agreement and committing themselves to operating within the policies contained herein.
- 3.9 Before any major capital or economic development projects are implemented, identifying all sources of funding, confirmed and approved by Band Council Resolution. The Council acknowledges that the Minister's funding towards these projects will not be contributed until all sources of funding from other partners have been confirmed in writing.
- 3.10 Developing a Capacity Development Plan for its staff.
- 3.11 Setting a clear statement of policy for Chief and Councillor honoraria that addresses rates, payment date and prohibition of advances; establishing procedures and making efforts to collect all existing loans and advances to band members, including those to the Chief and Councillors; not approving or making any further advances or loans to employees, members, Chief, or Councillors.
- 3.12 Ensuring that staff is adequately trained in areas of financial management and budget control measures; clearly defining the roles and responsibilities of these individuals in a current job description.

#### **Part IV - Minister Responsibilities**

- 4.0 For its part, the Minister agrees to:
  - 4.1 Subject to the appropriation of funds by Parliament, make payments through the application of the federal cash management policy.
  - 4.2 Provide the Council with administrative assistance and guidance, where requested, in the review of programs and their delivery by the Council.
  - 4.3 Send representatives to community meetings and Band Council meetings when necessary to address matters contained herein.

- 4.4 Actively participate in the monthly monitoring regime as outlined in the On-Site RMP Monitoring Meetings (Appendix 4).
- 4.5 Provide timely feedback on the progress of the Council in achieving the objectives of the RMP.
- 4.6 Assist, where possible, with the implementation of the items identified in the Capacity Development Plan for Council's staff.

**Part V - Approval**

This amendment forms part of the Council's annual Funding Agreement over the life of the Remedial Management Plan and all conditions of those annual Funding Agreements apply.

Signed on behalf of the Council this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

\_\_\_\_\_  
Chief

\_\_\_\_\_  
Councillor

\_\_\_\_\_  
Councillor

\_\_\_\_\_  
Councillor

\_\_\_\_\_  
Councillor

\_\_\_\_\_  
Councillor

\_\_\_\_\_  
Councillor

\_\_\_\_\_  
Witness

Approved on behalf of the Department of Indian Affairs and Northern Development

\_\_\_\_\_  
Regional Director General

\_\_\_\_\_  
Date

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Date

**200\_\_-200\_\_**

**Audited Consolidated Financial Statements**

**Consolidated Projected Statement**

**Of Revenue and Expenditure**

**To March 31, 200\_\_.**

### Council Listing Of Control Measures

1. Signing Authorities

Financial control and approval of all expenditures of the Council rest with the Chief and Councillors. All cheques will be signed in accordance with the Financial Regulations of the Council.

2. Budgets

Budgets will be prepared on an annual basis and approved at a duly convened meeting of Council. To ensure that all targets are achieved, a detailed narrative of projections will be provided monthly to Council.

3. Financial Reporting

Detailed monthly expenditure reports will be provided to Council for review and approval, at which time, any areas of concern will be identified and steps taken to address these concerns.

4. Financial Records

Financial records will be maintained in an up-to-date manner and the Council will have in place a detailed accounting and reporting system for all its operations. The financial management system will completely and accurately record every financial decision and transaction of the Council, its programs and agencies.

5. Bank Reconciliations

Bank reconciliations will be completed on a monthly basis upon receipt of bank statements.

6. Council Decisions

All resolutions, decisions, minutes, by-laws and other proceedings of Council affecting Council's staff and finances will be recorded and filed.

7. Monies

The following procedures will apply to the monies of the Council:

1. All monies belonging to the Council shall be safely stored until they are deposited into the appropriate bank account.
  2. Monies will be deposited at least once weekly, and immediately when large amounts of cheques or cash are on hand.
  3. All monies will be withdrawn only by cheques signed by authorized signing officers.
8. Office Procedures
- Financial and administrative records maintained electronically shall be backed up on a regular basis with back-up copies of information stored in a secure location off-site from the Band Office.
9. Policies
- The following policies will be developed and adhered to by the Chief and Councillors:
1. Tendering Policy
  2. Conflict of Interest Policy
  3. Financial Management Policy
  4. Personnel Policy

### On-Site RMP Monitoring Meetings

1. Attendees

At a minimum, the Minister shall be represented by the applicable Funding Services Officer (FSO). Other program or management representatives may be asked to attend, as required.

At a minimum, the Council shall be represented by the Chief (or his/her designate) and the Band Manager. The Council, at its discretion may have other staff or Councillors in attendance.

The Council may also invite auditors or representatives of lending institutions, as the situation warrants.

*(If applicable: The Third Party Manager/Co-manager will be represented by the partner-in-charge or their delegate, until this level of intervention is no longer required by the Minister.)*

2. Frequency

Monitoring meetings shall be held on a monthly basis for the first six months of the RMP and quarterly thereafter, provided that the RMP is working.

In addition, the Council and the Minister shall arrange a meeting to discuss the results of the annual audited financial statements and the contents of the Auditor's Management Letter to Council.

3. Council Documents

At a minimum, the Council shall provide the following documents to the FSO at least 3 working days prior to the meeting:

1. Variance Reports - detailing, by program, budgets, expenditures to date, projected expenditures to year-end and variances.
2. An update on the progress made in addressing the management issues identified in the RMP.

3. A copy of the Auditor's Management Letter (for the annual meeting to discuss the audited financial statements ONLY).

4. INAC Documents

At a minimum, the FSO shall provide the following documents to the Council at least 3 working days prior to the meeting:

1. Detailed Cashflow Reports.
2. Details of any amendments or adjustments currently being processed through INAC payment systems.
3. Details of any reporting deficiencies.
4. Copies of reports/spreadsheets utilized in the analysis of the audited financial statements (for the annual meeting to discuss the audited financial statements ONLY).

5. Agenda Items

The agenda for the monitoring sessions will include an assessment of the following:

1. Budget shortfalls as identified by the Variance Reports and how these will be addressed.
2. Progress of the Council in dealing with the items identified in Council Progress (Appendix 6).
3. Capacity Development - how the Council and Minister can implement the items identified in the Council's Capacity Development Plan.

6. Reporting/Feedback

The FSO will provide written feedback to the Council within 15 days of the monitoring meeting, detailing the following:

1. Financial progress
2. Progress in addressing management issues
3. Reporting issues, and other related matters

**Auditor's Management Letter to Council**

### Council Progress

The Council's progress under the Remedial Management Plan shall be reviewed based on the following:

1. RMP Reporting Requirements
  1. Submission of variance reports prior to monitoring sessions.
  2. Provision of copy of Auditor's Management Letter.
  3. Submission of Capacity Development Plan within 3 months of the implementation of the RMP.
2. Audited Financial Statements
  1. Notification of appointment of auditor by the last month of the fiscal year to be audited.
  2. Submission of acceptable audited financial statements by the deadline established by the Minister.
3. Financial Performance

Meeting or exceeding annual deficit reduction targets.
4. Program Reporting

Timeliness of program reporting requirements as contained in the *First Nations National Reporting Guide*.
5. Corrective Measures
  1. Addressing Financial and Management Objectives identified in Section 3 (Council Responsibilities).
  2. Addressing Control Measures identified in Council Listing of Control Measures (Appendix 3).
6. Management Development Plan Requirements

Identified by the most recent Management Assessment conducted by INAC.

### **Appendix “C” – Traditional Native Code of Ethics**

1. Each morning upon rising, and each evening before sleeping, give thanks for the life within you and for all good things the Creator has given you; for all the opportunities to grow a little each day. Consider your thoughts and actions of the past day and seek courage and strength to be a better person. Seek for the things that will benefit others (everyone).

2. Respect: Respect means: “To feel and show honor or esteem for someone or something; to consider the well being of or to treat someone or something with deference or courtesy”. Showing respect is a basic law of life.

a. Treat every person from the smallest child to the oldest elder with respect at all times.

b. Special respect should be given to Elders, Parents, Teachers, and Community Leaders.

c. No person should be made to feel “put down” by you; avoid hurting other hearts as you would avoid a deadly poison.

d. Touch nothing that belongs to someone else (especially Sacred Objects) without permission, or an understanding between you.

e. Respect the privacy of every person; never intrude on a person’s quiet moment or personal space.

f. Never walk between people that are conversing.

g. Never interrupt people who are conversing.

h. Speak in a soft voice, especially when you are in the presence of Elders, strangers or others to whom special respect is due.

i. Do not speak unless invited to do so at gatherings where Elders are present (except to ask what is expected of you, should you be in doubt).

j. Never speak about others in a negative way, whether they are present or not.

k. Treat the earth and all of her aspects as your mother. Show deep respect for the mineral world, the plant world, and the animal world. Do nothing to pollute our Mother, rise up with wisdom to defend her.

- l. Show deep respect for the beliefs and religion of others.
  - m. Listen with courtesy to what others say, even if you feel that what they are saying is worthless. Listen with your heart.
  - n. Respect the wisdom of the people in council. Once you give an idea to a council meeting it no longer belongs to you. It belongs to the people. Respect demands that you listen intently to the ideas of others in council and that you do not insist that your idea prevail.
  - o. Indeed you should freely support the ideas of others if they are true and good, even if those ideas are quite different from the ones you have contributed. The clash of ideas brings forth the Spark of Truth.
3. Once a council has decided something in unity, respect demands that no one speak secretly against what has been decided. If the council has made an error, that error will become apparent to everyone in its own time.
  4. Be truthful at all times, and under all conditions.
  5. Always treat your guests with honor and consideration. Give of your best food, your best blankets, the best part of your house, and your best service to your guests.
  6. The hurt of one is the hurt of all; the honor of one is the honor of all.
  7. Receive strangers and outsiders with a loving heart and as members of the human family.
  8. All the races and tribes in the world are like the different colored flowers of one meadow. All are beautiful. As children of the Creator they must all be respected.
  9. To serve others, to be of some use to family, community, nation, and the world is one of the main purposes for which human beings have been created. Do not fill yourself with your own affairs and forget your most important talks. True happiness comes only to those who dedicate their lives to the service of others.
  10. Observe moderation and balance in all things.
  11. Know those things that lead to your well-being, and those things that lead to your destruction.
  12. Listen to and follow the guidance given to your heart. Expect guidance to come in many forms: in prayer, in dreams, in times of quiet solitude, and in the words and deeds of wise Elders and friends.

**Notes**