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August 28, 2012

Chief Theresa Spence
Attawapiskat First Nation
P.O. Box 248
Attawapiskat, Ontario P0L 1A0

Dear Chief Spence:

We have recently completed the audit of the statement of expenditures incurred by the Attawapiskat First Nation for the period of April 1, 2005 to November 30, 2011. The purpose of this audit was to assess whether Attawapiskat First Nation complied with the terms and conditions of the funding agreements with Aboriginal Affairs and Northern Development Canada, and Health Canada, respectively.

Our examination was conducted primarily to enable us to express an opinion on the consolidated statement of expenditures and was not designed to discover weaknesses or inefficiencies which may be present in the accounting systems. Our audit did, however, reveal areas for improvement, which we bring to your attention with this management letter. The observations and recommendations provided will need to be acted on in order for Attawapiskat First Nation to establish management control practices and a sound accounting system which allows for normal auditing activities.

Lack of supporting documentation of claimed expenditures

Observation

As part of our audit, we tested a total of 505 transactions to assess whether expenditures claimed by the Attawapiskat First Nation were incurred in accordance with the terms and conditions of the funding agreements between Attawapiskat First Nation and Aboriginal Affairs and Northern Development Canada (AANDC, 400 transactions tested) and Health Canada (105 transactions tested). We were unable to conclude on a total of 409 transactions (323 transactions for expenditures funded by AANDC, and 86 transactions for expenditures funded by Health Canada) due to a lack of documentation. An average of 81% of files did not have adequate supporting documents and over 60% had no documentation of the reason for payment.

Impact

As a result, we were unable to conclude whether the claimed expenditures were in accordance with the terms and conditions of the funding agreements between Attawapiskat First Nation and AANDC and Health Canada, respectively. The lack of financial management controls to support compliance with the terms and conditions of the agreements is inconsistent with the requirements of the funding agreements with the Government of Canada. We were unable to determine if the funds were spent for their intended purpose.

There is no evidence of due diligence in the use of public funds, including the use of funds for housing. In our opinion, having over 80% of selected transactions lacking any or proper supporting documentation is inappropriate for any recipient of public funds.

Recommendation

We recommend that Attawapiskat First Nation immediately implement appropriate procedures and financial controls to enable it to demonstrate that the expenditures incurred are supported by appropriate documentation and that expenditures funded by the Government of Canada were incurred in accordance with the terms and conditions of the funding agreements between Attawapiskat First Nation and the Government of Canada.

Lack of supporting documentation of processes and controls

Observation

During our audit work, we noted that management was unable to demonstrate that it had implemented appropriate financial processes and controls throughout the duration of the period under audit, such as:

- Documentation retention procedures – files should be retained on financial transactions for an appropriate period (in this case, the agreement specifies 7 years);
- Appropriate segregation of duties over tasks which should be undertaken by different people;
- Reconciling procedures from the general ledger to claimed expenditures; and,
- Implementing and monitoring key internal controls to manage operations effectively and efficiently.

As such, there is no evidence of due diligence on the part of Attawapiskat First Nation of funding provided by:

- Aboriginal Affairs and Northern Development Canada for housing projects; and
- Health Canada for health-related projects

Impact

Attawapiskat First Nation cannot demonstrate that it has implemented appropriate financial processes and controls to ensure compliance with the terms and conditions of the funding agreements with Aboriginal Affairs and Northern Development Canada and Health Canada, respectively.

Recommendation

We recommend that Attawapiskat First Nation immediately implement appropriate processes and controls to enable it to demonstrate sound financial management processes, controls and practices, and to ensure compliance with funding agreements with Aboriginal Affairs and Northern Development Canada and Health Canada, respectively.

Lack of formal job descriptions

Observation

During our audit work, Attawapiskat First Nation did not provide us with any job descriptions for individuals who are involved in the financial management of funding agreements with Aboriginal Affairs and Northern Development Canada and Health Canada.

Impact

The lack of job descriptions increases the risk that critical tasks for financial management are not being performed, segregation of duties is not clear and accountabilities are not understood or respected. Stewardship of resources intended for specific purposes depends on the effective use and management of those resources on behalf of First Nation members by employees.

Recommendation

We recommend that Attawapiskat First Nation put in place job descriptions which include roles and responsibilities of each individual involved in the management of funding agreements with Aboriginal Affairs and Northern Development Canada and Health Canada, and that those job descriptions include a reference to avoiding real or perceived conflict of interest.

We would be pleased to discuss the above noted matters with you at your convenience. If you have any questions or concerns, please do not hesitate to contact us.

Yours truly,



Chartered Accountants
Licensed Public Accountants

Serge Desrochers, CA
Partner

cc: Chief Audit and Evaluation Executive, Aboriginal Affairs and Northern Development Canada
Director, Health Funding Arrangements, Health Canada