



# **Aboriginal Affairs and Northern Development Canada**

## **Internal Audit Report**

### **Audit of the Governance and Institutions of Government Program**

**Prepared by:**

**Audit and Assurance Services Branch**

**Project #15006**

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## ACRONYMS

AANDC	Aboriginal Affairs and Northern Development Canada
AFOA	Aboriginal Financial Officers Association
ARO	Aboriginal Representative Organizations
BEB	Band Employee Benefits
BSF	Band Support Funding
DPR	Departmental Performance Report
<i>FNEA</i>	<i>First Nations Elections Act</i>
FNFA	First Nations Finance Authority
<i>FNFMA</i>	<i>First Nations Fiscal Management Act</i>
FNTC	First Nations Tax Commission
GCIMS	Grants and Contribution Information Management System
GIG	Governance and Institutions of Governance
HQ	Headquarters
IGS	Indian Government Support (includes BEB, BSF, TCF)
LED	Lands and Economic Development Sector
MRP	Matrimonial Real Property
PAA	Program Alignment Architecture
P&ID	Professional and Institutional Development Program
PMS	Performance Measurement Strategy
QR	Quarterly Reports
RO	Regional Operations Sector
TAG	Treaties and Aboriginal Government Sector
TBS	Treasury Board Secretariat
TCF	Tribal Council Funding

## EXECUTIVE SUMMARY

### ***Background***

Aboriginal Affairs and Northern Development Canada (AANDC) supports First Nation communities in the implementation of strong, effective and sustainable governments. AANDC supports the development of First Nation institutions and governance capacity, while respecting Canada's constitutional and statutory obligations towards First Nations. AANDC oversees the implementation and administration of governance processes under the *Indian Act*, while at the same time developing and implementing legislation and policies that support the modernization of First Nation governance frameworks and transparent and accountable governance, such as the *First Nations Elections Act*.

The Governance and Institutions of Government Program (“the program”) of AANDC encompasses two sub-programs: the First Nation Governments sub-program delivered by the Regional Operations Sector and the Treaties and Aboriginal Government Sector; and, the Aboriginal Governance Institutions and Organizations sub-program delivered by the Regional Operations Sector and the Land and Economic Development Sector. The Program’s actual spending for 2014-2015 was \$422M, and planned spending for 2015-2016 is \$389M.

The program provides support to First Nation governments, as well as Aboriginal governance institutions and organizations through core and targeted programming. The intent of this support is to facilitate capacity development in the Aboriginal public service, the elected leadership, and entities that administer aggregate services on behalf of, or to, First Nation governments and their communities because good governance practices are essential for active Aboriginal participation in Canadian society and the economy.

Program delivery is managed collaboratively by regional and headquarters (HQ) program staff. Program staff is responsible for the delivery of initiatives that fall under their respective mandates. Staff in HQ is responsible to support the horizontal coordination of sub-programs, including performance measurement, monitoring and reporting.

### ***Audit Objective and Scope***

The audit objective was to assess: (i) the adequacy and effectiveness of departmental controls for designing, approving, integrating and reporting on this program; and, (ii) the appropriateness of the design of region and sector controls for delivering the program in an integrated, efficient and effective manner, and in compliance with program authorities and Treasury Board and AANDC policy requirements.

The scope of the audit included all key components of the Governance and Institutions of Government Program for the period of April 1, 2014 to July 15, 2015.

Headquarters and regional offices located in British Columbia and Quebec were visited as part of this audit, and the Northern Governance Program was excluded from the audit scope as it is managed under different authorities.

### ***Statement of Conformance***

This audit conforms to the *Internal Auditing Standards for the Government of Canada*, as supported by the results of the quality assurance and improvement program.

## ***Positive Observations***

The audit team observed examples of best practices related to the controls implemented for the Governance and Institutions of Government Program, including:

- The Indian Government Support (IGS) bi-weekly national conference calls provide staff that supports the IGS components of the program and Professional and Institutional Development with the opportunity to share information on a regular basis.
- IGS system user manuals are comprehensive and provide step by step instructions to perform all typical activities in the system.
- In one region visited, a Regional Program Guide was developed to provide regional recipients with a single aggregated source of details about all transfer payment programs.

## ***Conclusion***

Generally, the audit found that the design of region and sector controls for delivering the program in an efficient and effective manner, and in compliance with program authorities and Treasury Board and AANDC policy requirements is appropriate. Opportunities for improvement were noted in relation to ensuring funding agreements and supporting documentation are on file, and in how the program can be managed in a more integrated manner. In relation to program integration, there is an opportunity for AANDC to review the program's current structure and components to ensure that it is designed to effectively and efficiently support Department objectives.

## ***Recommendations***

The audit identified areas where management control practices and processes should be improved, resulting in the following two recommendations:

1. The Senior Assistant Deputy Ministers of the Regional Operations Sector and of the Treaties and Aboriginal Government Sector, and the Assistant Deputy Minister the Lands and Economic Development Sector, should collaborate with senior management to review the program's current structure and related Program Alignment Architecture.
2. The Senior Assistant Deputy Minister of the Regional Operations Sector should work with regions to ensure that all documentation supporting funding agreements, including documentation provided by recipients and internal documents facilitating the assessment of applications and reports, are accounted for and saved in a timely manner in the Grant and Contributions Information Management System (GCIMS).

## ***Management Response***

Management is in agreement with the findings, has accepted the recommendations included in the report, and has developed a management action plan to address them. The management action plan has been integrated into this report.

# 1. BACKGROUND

Effective governance is a key contributing factor to a community's socio-economic progress and its overall well-being. Good governance and institutions help First Nation communities to:

- take greater control over the decisions that affect their lives;
- carry out effective relationships with other governments;
- take advantage of economic development opportunities;
- improve programs and services; and,
- enhance their social and economic well-being.

Governance structures among First Nation communities are at different stages of maturity and development. Some First Nations have self-government agreements with Canada while others have minimal governance structures. Many First Nations fall somewhere in between.

Aboriginal Affairs and Northern Development Canada (AANDC) supports First Nation communities in the implementation of strong, effective and sustainable governments. AANDC supports the development of First Nation institutions and governance capacity, while respecting Canada's constitutional and statutory obligations towards First Nations. AANDC oversees the implementation and administration of governance processes under the *Indian Act*, while at the same time developing and implementing legislation and policies that support the modernization of First Nation governance frameworks and transparent and accountable governance, such as the *First Nations Elections Act*.

The Governance and Institutions of Government Program (referred to as “the program”) provides support to First Nation governments, as well as Aboriginal governance institutions and organizations through core and targeted programming. The intent of this support is to facilitate capacity development in the Aboriginal public service, the elected leadership, and entities that administer aggregate services on behalf of, or to, First Nation governments and their communities because good governance practices are essential for active Aboriginal participation in Canadian society and the economy.

The program encompasses two sub-programs: the First Nation Governments sub-program; and, the Aboriginal Governance Institutions and Organizations sub-program. The program's actual spending for 2014-2015 was \$422M, and planned spending for 2015-2016 is \$389M.

The First Nation Governments sub-program supports the core operations and capacity development of First Nation Governments, including the professional development of their personnel. Support for community development and capacity building is delivered through collaborative, coordinated and targeted community-driven investments, leveraging partnerships wherever possible. Funds are provided through a grant and three contribution programs that provide support on an ongoing basis to sustain capacity and on a targeted basis to build capacity (See details in Appendix C). These direct transfer payments support the core functions of government, such as leadership selection and election processes, law-making and enforcement, financial management and administration, and executive leadership. In addition, the sub-program provides guidance and advice to First Nations leaders and the public service in law-making and in establishing governance and associated capacities, processes and

mechanisms, and also leads policy and legislative initiatives to enhance transparent and accountable governance.

The Aboriginal Governance Institutions and Organizations sub-program supports aggregate program delivery through tribal councils, as well as aggregate capacity development through Aboriginal governance institutions and organizations at the local, regional and national level dedicated to developing and supporting Aboriginal governments in the exercise of their responsibilities. It also supports institutions such as AFOA Canada (formerly known as the Aboriginal Financial Officers Association of Canada) and the *First Nations Fiscal Management Act (FNFMA)* institutions. These institutions provide technical support to First Nation governments in the areas of taxation and financial management, and specifically in the case of the latter, to carry out their legislative mandate under the *First Nations Fiscal Management Act*. Implementation support to First Nation governments for the *Family Homes on Reserves and Matrimonial Interests or Rights Act* is also provided. Funds are provided through transfer payments to organizations and institutions with demonstrated expertise in supporting First Nation governments to enhance capacity for service delivery and professional development.

These two sub-programs, and all of their components, were traditionally housed under AANDC's Governance Branch, but as of April 1, 2014, the Governance Branch was dissolved and the program's components were reassigned to three different sectors within AANDC. The First Nation Governments sub-program is delivered by the Regional Operations (RO) Sector and the Treaties and Aboriginal Government (TAG) Sector; and, the Aboriginal Governance Institutions and Organizations sub-program is delivered by the Regional Operations Sector and the Land and Economic Development Sector.

Figure 1 below provides an overview of the components of the program, and additional information is provided in Appendix C.

**Figure 1: Components of the Governance and Institutions of Government Program**

Governance and Institutions of Governance						
Sub Program	Component	Delivered By		Responsible Sector		
		Regional Office	HQ	RO	TAG	LED
<b>First Nations and Government</b>	<i>Band Support Funding (BSF)</i>	Yes		Yes		
	<i>Band Employee Benefits (BEB)</i>	Yes		Yes		
	<i>Professional and Institutional Development Program (P&amp;ID)</i>	Yes	Yes	Yes		
	<i>Elections under the Indian Act and First Nations Elections Act (Elections)</i>	Yes	Yes		Yes	
	<i>Support to First Nations Governments (By-Laws)</i>	Yes			Yes	
	<i>Policy and Legislative Initiatives (Policy)</i>	Yes			Yes	
<b>Aboriginal Governance Institutions and Organizations</b>	<i>Tribal Council Funding (TCF)</i>	Yes		Yes		
	<i>Family Homes on Reserves and Matrimonial Interests or Rights Act</i>	Yes	Yes			Yes
	<i>First Nations Fiscal Management Act (FNFMA)</i>		Yes			Yes
	<i>Aboriginal Financial Officers Association (AFOA) Canada</i>		Yes	Yes		Yes

The three sectors engage in wide-ranging activities to help support communities to transition to stronger, more effective governance systems. The Treaties and Aboriginal Government (TAG) Sector:

- Negotiates and implements self-government and land claim agreements;
- Builds cooperative relationships with First Nation governments through the negotiation and use of modern and historic treaties;
- Administers statutory and regulatory provisions of the *Indian Act* pertaining to the election, administration and procedures of band councils;
- Carries out ministerial and departmental responsibilities under the *First Nations Elections Act (FNEA)* in the preparation of ministerial orders for the scheduling of First Nations under the *FNEA* and certification of electoral officers;



- Supports First Nations in building capacity in respect of leadership selection through the Policy on Conversion to Community (Custom) Election Systems, which includes the preparation of ministerial orders to remove First Nations from *Indian Act* elections to custom election systems;
- Provides training and guidance to First Nations in respect of by-law making and other governance practices and issues;
- Leads and implements governance reform through legislative initiatives, such as the *First Nations Elections Act* and *An Act to Amend the Indian Act* (Publication of By-Laws); and,
- Explores opportunities with First Nations to modernize governance frameworks through legislative and policy initiatives that support stronger, more capable and accountable First Nations governments.

RO and LED Sectors provide ongoing and targeted support to First Nations, tribal councils, and their institutions, such as:

- Provide grants and contributions funding to Band offices and tribal councils for core operations, such as office space, salaries and benefits, as well as for professional and institutional development; and,
- Amend relevant laws and regulations to help support First Nation institutions, organizations and governments.

In addition to these activities, AANDC also supports the governance capacity of First Nations through the provision of advice, training and workshops and through the development of tools and resources.

Program delivery is managed collaboratively by regional and headquarters (HQ) program staff. Program staff is responsible for the delivery of initiatives that fall under their respective mandates. Staff in HQ is responsible to support the horizontal coordination of sub-programs, including performance measurement, monitoring and reporting.

In its current form, the program is not applicable in northern regions as they are managed under different authorities.

## **2. AUDIT OBJECTIVE AND SCOPE**

### **2.1 Audit Objective**

The audit objective was to assess: (i) the adequacy and effectiveness of departmental controls for designing, approving, integrating and reporting on this program; and, (ii) the appropriateness of the design of region and sector controls for delivering the program in an integrated, efficient and effective manner, and in compliance with program authorities and Treasury Board (TB) and AANDC policy requirements.

### **2.2 Audit Scope**

The scope of the audit included all key components of the Governance and Institutions of Government Program for the period of April 1, 2014 to July 15, 2015.

Grants and contributions agreements that were established and/or were active during the period identified above were included in the audit scope. For this period, AANDC established over 3,100 grants and contributions agreements for a total value of approximately \$496M within the following components:

- First Nation Governments sub-program:
  - Band Support Funding (BSF);
  - Band Employee Benefits (BEB); and,
  - Professional and Institutional Development Program (P&ID), including Aboriginal Representative Organizations (ARO).
- Aboriginal Governance Institutions and Organizations sub-program:
  - Tribal Council Funding (TCF);
  - *Family Homes on Reserves & Matrimonial Interests or Rights Act*;
  - *First Nations Fiscal Management Act (FNFMA)*; and,
  - Aboriginal Financial Officers Associations (AFOA) Canada.

The remaining program components do not provide grants and contributions, but they play a key role in supporting First Nations in developing effective governance mechanisms. As such, the elections, by-laws, and policy components were addressed under audit criteria focusing on the adequacy and effectiveness of departmental controls for reporting on the program in an integrated fashion. These remaining components are:

- First Nation Governments Sub-Program:
  - Elections under the *Indian Act* and *First Nations Elections Act* (Elections);
  - Support to First Nations Governments (By-laws); and,
  - Policy and Legislative Initiatives (Policy).

Audit work was performed at Headquarters and regional offices located in British Columbia and Quebec. The Northern Governance Program was excluded from the audit scope as it is managed under different authorities.

### **3. APPROACH AND METHODOLOGY**

The audit was conducted in accordance with the requirements of the Treasury Board Secretariat *Policy on Internal Audit* and followed the *Internal Auditing Standards for the Government of Canada*. The audit examined sufficient and relevant evidence to provide a reasonable level of assurance in support of the audit conclusion.

The principal audit techniques used included:

- Interviews with key management/staff personnel from RO, TAG and LED at headquarters and the two regional offices visited;
- Review of relevant documentation related to the Governance and Institutions of Government Program, including:
  - Policies, directives, guidance and operational procedures; and,
  - Terms of Reference and supporting documents from key governance committees.

- Detailed examination of a sample of 63 files (including, BSF, BEB, P&ID, TCF, *FNMA*, MRP, ARO and AFOA Canada) to test compliance with program authorities and TB and AANDC policy requirements.

The approach used to address the audit objectives included the development of audit criteria against which observations, assessments and conclusions were drawn. The audit criteria developed for this audit are included in Appendix A.

### ***Positive Observations***

The audit team observed examples of best practices related to the controls implemented for the Governance and Institutions of Government Program, including:

- The Indian Government Support (IGS) bi-weekly national conference calls provide staff that support the IGS components of the program (i.e. BSF, BEB, TCF, P&ID) with the opportunity to receive status updates on changes made to relevant policies, details with regards to AANDC's annual priorities, discuss arising issues, and share leading practices. These meetings ensure that all regional offices are provided with the same instructions and information required to deliver these program components consistently across the country.
- IGS system manuals for end users, regional coordinators, and HQ system administrators are comprehensive and provide step by step instructions to perform all typical activities in the system for BSF, BEB, and TCF. The manuals reduce the risk of recipient information being processed inconsistently across regional offices, therefore providing a fair treatment of all funding requests.
- In one region visited, a Regional Program Guide was developed to provide regional recipients with a single aggregated source of details about all programs that offer funding opportunities, along with application and reporting details. This includes the following components of the program: BSF, BEB, TCF, P&ID (incl. AFOA). Recipients therefore do not have to spend time looking in multiple locations to understand funding programs offered by AANDC.

## **4. CONCLUSION**

Generally, the audit found that the design of region and sector controls for delivering the program in an efficient and effective manner, and in compliance with program authorities and Treasury Board and AANDC policy requirements is appropriate. Opportunities for improvement were noted in relation to ensuring funding agreements and supporting documentation are on file, and in how the program can be managed in a more integrated manner. In relation to program integration, there is an opportunity for AANDC to review the program's current structure and components to ensure that it is designed to effectively and efficiently support Department objectives.

## **5. FINDINGS AND RECOMMENDATIONS**

Based on a combination of the evidence gathered through interviews, the examination of documentation, and analysis, each audit criterion was assessed by the audit team and a

conclusion for each audit criterion was determined. Where a significant difference between the audit criterion and the observed practice was found, the risk of the gap was evaluated and used to develop a conclusion and to document recommendations for improvement.

Observations below focus on management practices requiring improvement, along with relevant recommendations for corrective actions.

### **5.1 *Integrated Program Management***

The program includes 10 different components managed by three different sectors. As the 10 components are grouped under the same program activity under AANDC's Program Alignment Architecture (PAA), the audit expected to find departmental controls in place to ensure that the program is managed in an integrated manner.

The audit found that each sector manages the program components for which they are responsible in isolation from the components managed by other sectors. The audit noted two examples of situations where the program is not managed in an integrated manner in relation to i) performance measurement and monitoring, and ii) sharing lessons learned and leading practices.

#### **Performance Measurement and Monitoring**

The audit expected to find that management has identified planned results and performance measures linked to program objectives, and that management monitors and reports against planned results on a regular basis.

The audit found that two separate performance measurement strategies (PMS) were created for the program, one for Governance and Institutions of Government (GIG) and one for MRP. These two PMS provide clearly defined performance indicators and targets that are aligned with program objectives identified in the PAA, along with accountabilities and timelines for data collection. The GIG PMS covers the majority of the program's components (including BSF, BEB, P&ID, ARO, TCF, *FNFMA*, AFOA, Elections, By-laws, Policy), and the MRP PMS focuses specifically on the *Family Homes on Reserves and Matrimonial Interests or Rights Act* component. The two documents were finalized after the dissolution of the Governance Branch but they were not integrated, and they do not reflect the program's new organizational structure. Together, these two performance measurement strategies identify 41 different performance indicators. There are 29 performance indicators outlined in the GIG PMS and 15 indicators outlined in the MRP PMS (note that three of the indicators are shared between the strategies).

The audit found that management does not systematically monitor and report against the program's performance indicators in an integrated fashion on a regular basis, as planned in the PMS. The results of only 14 of the 41 performance indicators are reported formally on a consistent basis by the Department, through documents such as the annual Departmental Performance Report (DPR) (five indicators reported) and quarterly reports (QR) (12 indicators reported with three of these being the same as those reported in the DPR). There is no mechanism in place to systematically monitor and report against the other performance indicators for the program as a whole.

The DPR is prepared annually by the Policy and Strategic Direction Sector and provides an overview of AANDC's financial and non-financial performance against the Department's PAA. In the 2014-2015 DPR, the Governance and Institutions of Government is identified as program 1.1, with two sub-programs; 1.1.1: First Nation Governments, and 1.1.2: Aboriginal Governance Institutions and Organizations. As outlined above, it provides an assessment of five of the program's 41 performance indicators:

- Percentage of audited financial statements made available to community members;
- Percentage of First Nations free of default;
- Percentage of First Nations that submitted a proposal that received funding;
- Percentage of First Nations scoring low risk on the Governance Section of the General Assessment; and,
- Percentage of First Nations scoring low risk on the General Assessment.

At the operational level, each sector currently reports on components of the program that it oversees through quarterly reports, but there is no aggregation of these reports to provide an overview of the program as a whole. The RO Sector aggregates the results of quarterly and year end reports prepared by regional offices, but the resulting aggregated report is not subsequently aggregated with quarterly reports prepared by the LED Sector and the TAG Sector. A review of a sample of quarterly reports revealed that some regions provide a partial assessment of the 12 performance indicators that are tracked through the quarterly reports.

Most performance indicators included in the MRP performance measurement strategy (12 out of 15 in total) are tracked as required by the LED Sector, but this information is not shared with other sectors responsible for other components of the overall program.

For the remaining performance indicators, program management indicated that performance is tracked in various forms (e.g. GCIMS, third parties for FNFMA, spreadsheets, etc.), but this information is not consolidated for monitoring purposes on an annual basis, or as required by the PMS. The audit did not confirm the tracking performed through these informal processes.

In summary, the program's overall performance against identified performance indicators is only partially aggregated on an annual basis, and therefore not providing management with the required information to properly govern and oversee the program as a whole. Figure 2 below provides a summary of the tracking of performance indicators.

**Figure 2: Summary of Performance Indicators Tracking**

	# of indicators (a+b+c-d)	a) Tracked Formally in DPR	b) Tracked Formally in QR	c) Tracked Informally	d) Indicators that are Tracked in multiple locations
<b>i) Governance PMS</b>	<b>29</b>	5	12	15	3
<b>ii) MRP PMS</b>	<b>15</b>	3	2	12	2
<b>iii) Overlap</b> <i>Indicators in both the Governance &amp; MRP PMS</i>	<b>3</b>	3	2	0	2
<b>Total</b>	<b>41</b>	<b>5</b>	<b>12</b>	<b>27</b>	<b>3</b>

Without monitoring and reporting processes designed to systematically assess the program's overall performance in an integrated fashion, Senior Management is not provided with the opportunity to perform governance, oversight, and coordination activities in an effective and timely fashion to ensure that program objectives are achieved.

### **Sharing Lessons Learned and Leading Practices**

The audit expected to find that lessons learned activities are performed to ensure that leading practices are shared across the various components of the program, and between sectors and regions responsible for components of the program.

The audit found that there is currently no program-level mechanism in place to ensure that leading practices and lessons learned, such as innovative tools (e.g., Notice to Commit Funds Tool) and checklists, special initiatives, and consolidating efforts that target specific First Nations, are shared between regional offices and/or all components of the program. As such, information that could be beneficial to others is not shared between the various sectors and regions responsible for specific components of the program (i.e. RO, LED, and TAG).

Although IGS Bi-weekly National Meetings provide an opportunity to share operational information between the BEB, BSF, TCF and P&ID components, the group did not discuss checklists and tools developed regionally. Some of these checklists and tools, such as the P&ID Proposal Review Checklist and the P&ID Final Project Evaluation Grid, could be leveraged by other regions to streamline processes and increase the effectiveness and efficiency of regional activities for this program.

Finally, the audit found that program staff in regional offices were not aware that a definition of the People Year used in the calculation for Band Support Funding (BSF) is available on the AANDC website. Regional staff interviewed as part of the audit indicated that they use different methodologies to calculate the People Year, therefore not ensuring a constant calculation of BSF funding across the country.

Without implementing mechanisms to share leading practices and interpretations of program elements (e.g. funding formulas) across program components and sectors or regions responsible for the program, there is an increased risk that the program will not be delivered in a consistent, coherent, efficient, and effective manner across the country.

**Recommendation:**

1. The Senior Assistant Deputy Ministers of the Regional Operations Sector and of the Treaties and Aboriginal Government Sector, and the Assistant Deputy Minister the Lands and Economic Development Sector, should collaborate with senior management to review the program's current structure and related Program Alignment Architecture.

**5.2 Funding Agreements and Supporting Documentation**

The audit expected to find that funding agreements are acceptable and according to relevant program terms and conditions, policies and guidelines. The audit also expected to find that all funding agreements are appropriately authorized under Sections 32 and 34 of the *Financial Accountability Act (FAA)*.

The audit found that program staff is using the Grants and Contribution Information Management System (GCIMS) as a central repository for funding agreements and supporting documentation for all program components delivering transfer payments (i.e. BSF, BEB, P&ID, ARO, TCF, MRP, *FNFMA*, and AFOA). This approach is in line with the expectations outlined in the AANDC Management Control Framework for Grants and Contributions.

The audit found that funding agreements were generally acceptable and according to relevant program terms and conditions, policies and guidelines; however, supporting documentation was missing for 11 of the 63 grants and contributions files reviewed as part of the audit. The following documents supporting the funding agreement could not be found in GCIMS, therefore not providing all required information to confirm the completeness of funding agreement files and the effectiveness of management controls in place:

- **Signed Project Approval Checklist** (2 exceptions out of 63 samples tested): As per the P&ID Guidelines, a signed Project Approval Checklist must be retained on file to evidence the review of proposals received;
- **Signed version of the funding agreement** (5 exceptions out of 63 samples tested): As per AANDC's Management Control Framework for Grants and Contributions, the signed funding agreement details the recipients reporting obligations and should therefore be kept on file for future reference and for audit trail purposes; and,
- **Deliverables to be provided by the recipient** (e.g. interim and final project reports, signed annual reports, audited financial statements, receipts for expenses incurred, etc.) (4 exceptions out of 63 samples tested): As per AANDC's Management Control Framework for Grants and Contributions, sufficient proof must be obtained to support the disbursements of payments. These supporting documents should be retained on file for audit trail purposes.

The audit found that all funding agreements were appropriately authorized under FAA Section 32, and payments were approved under FAA Section 34, by individuals with appropriate delegation of authority.

Without a copy of all required documentation to support funding agreements, there is an increased risk that management controls are not implemented to ensure that terms and conditions of funding agreements are respected by funding recipients.

***Recommendation:***

2. The Senior Assistant Deputy Minister of the Regional Operations Sector should work with regions to ensure that all documentation supporting funding agreements, including documentation provided by recipients and internal documents facilitating the assessment of applications and reports, are accounted for and saved in a timely manner in the Grant and Contributions Information Management System (GCIMS).





## Appendix A: Audit Criteria

To ensure an appropriate level of assurance to meet the audit objectives, the following audit criteria were developed in alignment with the Management Accountability Framework, TBS policies and AANDC internal requirements:

<b>Governance and Oversight</b>	
1.1	Adequate governance / oversight / coordination exist for the program overall and its components.
1.2	Documented guidelines, tools, procedures, training and templates exist to support the program, sub-programs, and components.
<b>Funding</b>	
2.1	Methodology used to allocate formula-based funding to regions, and to recipients, is aligned with AANDC priorities, First Nations priorities, takes into consideration qualitative information (i.e. competency, capacity), and is periodically reviewed.
<b>People and Tools</b>	
3.1	There are appropriate human resource capacity and capabilities to effectively deliver and manage activities of the program, sub-programs, and components.
<b>Stewardship</b>	
4.1	Funding agreements are acceptable and according to relevant program terms and conditions, policies and guidelines.
4.2	All funding agreements are appropriately authorized.
<b>Results and Performance</b>	
5.1	Lessons learned activities are performed and there is sharing of leading practices across the Department.
5.2	Management has identified planned results and performance measures linked to program objectives.
5.3	Management monitors and reports against planned results on a regular basis.

## **Appendix B: Relevant Legislation, Regulations, Directives and Guidance**

The following authoritative sources were examined and used as a basis for this audit:

1. AANDC Management Control Framework for Grants and Contributions
2. Band Employee Benefits Program Policy
3. Band Support Funding Program Policy
4. *Financial Administration Act*
5. Professional and Institutional Development Program: Program Guidelines
6. Tribal Council Funding Program Policy

## Appendix C: Comprehensive Overview of the Program, its Sub-programs, and their Components

The following table provides a comprehensive overview of the program's structure, including sub-programs and their components.

Program
<p><b>1.1: Governance and Institutions of Government</b></p> <p><b>Expected Result:</b> Transparent and accountable First Nation governments and institutions.</p> <p><b>Transfer Payments (Totals for all sub-programs and components included below):</b></p> <p>2014-2015: 1,762 agreements - \$360M total paid</p> <p>2015-2016: 1,361 agreements - \$136M total paid as of July 15, 2015</p>
<p><b>Sub-Program 1.1.1 First Nation Governments</b></p> <p><b>Expected Result:</b> Enhanced governance capacity of First Nation governments.</p> <p><b>Transfer Payments (Totals for all components included in this sub-program):</b></p> <p>2014-2015: 1,652 agreements - \$304M total paid</p> <p>2015-2016: 1,266 agreements - \$111M total paid as of July 15, 2015</p>
<p><b><u>Band Support Funding (BSF)</u></b></p> <p><b>Description:</b> The purpose of BSF is to assist band councils to meet the costs of local government and administration of departmentally funded services.</p> <p><b>Responsible Sector:</b> Regional Operations Sector</p> <p><b>Regional Involvement:</b> Yes, this component is delivered through regional offices, with support from headquarters.</p> <p><b>Transfer Payments:</b> Yes, funding is formula-based and administered mostly through grants and a few contributions. Recipients who receive funding under the block funding approach (i.e. multi-year funding) are required to submit annual audited financial statements.</p> <p>2014-2015: 573 agreements - \$239M total paid</p> <p>2015-2016: 539 agreements - \$93M total paid as of July 15, 2015</p>
<p><b><u>Band Employee Benefits (BEB)</u></b></p> <p><b>Description:</b> The purpose of BEB is to provide funding to eligible First Nation, Inuit or Innu employers to support the cost of the employer's share of contributions to pension plans for eligible employees.</p> <p><b>Responsible Sector:</b> Regional Operations Sector</p> <p><b>Regional Involvement:</b> Yes, this component is delivered through regional offices, with support from headquarters.</p> <p><b>Transfer Payments:</b> Yes, funding is formula-based and administered through contributions.</p> <p>2014-2015: 688 agreements - \$51M total paid</p> <p>2015-2016: 657 agreements - \$16M total paid as of July 15, 2015</p>

**Professional and Institutional Development Program (P&ID), including Aboriginal Representative Organizations (ARO)**

**Description:** The purpose of the P&ID Program is to fund governance capacity development projects.

**Responsible Sector:** Regional Operations Sector

**Regional Involvement:** Yes, this component is delivered through regional offices, with support from headquarters. Headquarters also directly manages a few contribution agreements for special projects.

**Transfer Payments:** Yes, funding is proposal- and plan-based and delivered through contributions. Funding proposals are assessed by a P&ID Program committee and must meet requirements as defined in the program guidelines.

2014-2015: 391 agreements - \$14M total paid

2015-2016: 70 agreements - \$2M total paid as of July 15, 2015

**Elections under the Indian Act and First Nations Elections Act (Elections)**

**Description:** The purpose is to administer the statutory and regulatory responsibilities of the Minister and the Department with respect to band council elections under the *Indian Act*, by training and certifying electoral officers, developing manuals and forms to support them in the conduct of elections, providing them with advice and support throughout the election process, and in the case of elections held under the *Indian Act*, receiving, reviewing and deciding upon election appeals.

**Responsible Sector:** Treaties and Aboriginal Government Sector

**Regional Involvement:** Yes, this component is delivered jointly through regional offices and through headquarters.

**Transfer Payments:** No, this component does not offer transfer payments.

**Support to First Nations Governments (By-laws)**

**Description:** The purpose is to provide support and guidance to First Nations governments for the development of by-laws and other governance practices and issues.

**Responsible Sector:** Treaties and Aboriginal Government Sector

**Regional Involvement:** No, the advice and support is provided by headquarters directly to the First Nations concerned. Regional offices are kept informed of discussions with First Nations and may act as intermediaries.

**Transfer Payments:** No, this component does not offer transfer payments.

**Policy and Legislative Initiatives (Policy)**

**Description:** The purpose is to explore opportunities with First Nations to modernize governance frameworks through the development of legislative and policy options that support stronger, more capable and accountable First Nations governments.

**Responsible Sector:** Treaties and Aboriginal Government Sector

**Regional Involvement:** Yes, regional offices support the initiatives, which are led by headquarters.

**Transfer Payments:** This component may offer transfer payments on a project funding basis to First Nations partners to conduct research, policy development and engagement.

### **Sub-Program 1.1.2 Aboriginal Governance Institutions and Organizations**

**Expected Result:** Governance institutions and organizations have the capacity to support First Nations.

**Transfer Payments** (Totals for all components included in this sub-program):

2014-2015: 110 agreements - \$56M total paid

2015-2016: 95 agreements - \$25M total paid as of July 15, 2015

#### **Tribal Council Funding (TCF)**

**Description:** The purpose of TCF is to provide core operational support to tribal councils to cover the administration and management costs associated with the delivery of regional services.

**Responsible Sector:** Regional Operations Sector

**Regional Involvement:** Yes, this component is delivered through regional offices, with support from headquarters.

**Transfer Payments:** Yes, funding is formula-based and administered through grants. Some recipients are eligible to receive TCF funding under block agreements.

2014-2015: 99 agreements- \$40M total paid

2015-2016: 89 agreements - \$18M total paid as of July 15, 2015

#### **Family Homes on Reserves and Matrimonial Interests or Rights Act**

**Description:** The Act has two main components:

- 1) **First Nation Law Making Power:** The provision came into force on December 16, 2013. Under this provision, First Nations can enact their own community-specific matrimonial real property laws which can be applied in provincial and territorial courts.
- 2) **Federal Rules:** This provision came into force on December 16, 2014. This provision establishes a clear set of interim rules, called provisional rules, that provides matrimonial real property rights and protections for residents living on reserve until a First Nation develops and enacts its own laws.

The Implementation Support Plan includes three elements:

- a public education and awareness campaign;
- the operation of a Centre of Excellence for Matrimonial Real Property; and,
- training and education for key officials, including police officers operating on reserves, and provincial superior court judges.

**Responsible Sector:** Land and Economic Development Sector

**Regional Involvement:** Yes, this component is delivered through regional offices and through headquarters.

**Transfer Payments:** Yes, this funding is proposal-based and administered through contributions.

2014-2015: 2 agreements - \$1M total paid

2015-2016: 2 agreements - \$0.4M total paid as of July 15, 2015

### **First Nations Fiscal Management Act (FNFMA)**

**Description:** This opt-in legislation promotes economic development by enabling First Nations (FNs) to use real property tax revenues and other local revenues to support borrowing on capital markets for the development of public infrastructure and other initiatives. The following institutions were created under the *Act* to oversee the regime and support FNs which are exercising powers under the legislation:

- 1) **First Nations Tax Commission (FNTC)**: Shared governance institution which is responsible for the approval of real property tax laws of participating FNs and for assisting with the management of disputes between FNs and taxpayers.
- 2) **First Nations Financial Management Board (FMB)**: Shared governance institution which is responsible for the review and approval of financial administration laws, and for financial management performance and systems certification.
- 3) **First Nations Finance Authority (FNFA)**: Non-profit corporation which enables qualifying FNs to work co-operatively in raising long-term private capital at preferred rates through the issuance of bonds.

**Responsible Sector:** Land and Economic Development Sector

**Regional Involvement:** No, this component is only delivered by headquarters.

**Transfer Payments:** Yes, funding is proposal-based and administered through contributions (e.g. fixed, set).

2014-2015: 5 agreements - \$14M total paid

2015-2016: 3 agreements - \$6M total paid as of July 15, 2015

### **AFOA Canada**

**Description:** The purpose of funding is to enhance financial capacity development of First Nation governments. Funding is provided through the P&ID program for this component.

**Responsible Sector:** Regional Operations Sector

**Regional Involvement:** No, this component is delivered through headquarters.

**Transfer Payments:** Yes, funding is proposal-based and delivered through contributions.

2014-2015: 1 Core Funding Agreement and 3 Project Agreements- \$926,380 total paid

2015-2016: 1 Core Funding Agreement - \$720,000 total paid as of July 15, 2015