



**Affaires indiennes  
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# **Review of Atlantic Regional Office and Management Action Plan**

2010

**Canada** 



## Scope of Review

- Reviewed the role of the Atlantic regional office in relation to the issues with the Tobique First Nation
- Examined the Atlantic regional office's management of the school project in the Tobique First Nation
- Reviewed the region's management, monitoring and oversight of ten other First Nations in the region
- Examined the oversight function of INAC HQ



## Approach to Review

- Conducted interviews and reviewed documentation relating to funding arrangements between Tobique First Nation and the regional office.
- Reviewed the documentation and conducted interviews in regards to management of the construction of the Tobique First Nation school.
- Reviewed the financial position and intervention status of a sample of ten First Nations in the Atlantic region. Sample included First Nations in a deficit and surplus position.
- Reviewed regional Audit and Accountability Committee minutes.
- Reviewed ten year history of intervention actions by the region.
- Interviewed key regional personnel responsible for dealing with the First Nations in the sample.
- Interviewed HQ personnel to determine methods used to establish what information is provided by the regions to monitor financial situation of First Nations.
- Examined reporting documentation used by HQ and regions regarding the financial status of First Nations.



## Findings: Role of Atlantic Region with Tobique First Nation

- Some of the decisions and actions taken by the regional office in its dealing with the Tobique First Nation were not in line with INAC and TBS policies.
  - Not withholding tuition funding when it should have
  - Allowing the First Nation to redirect INAC funds as security for bank loans
  - Not enforcing compliance on terms of amendments for capital and economic development projects
  - Not recovering funds that were not used for their intended purpose
  - Advancing funds inappropriately for project funding
  - Inappropriate ministerial loan guarantees
  - No plan in place to deal with funding shortfalls
  - Not implementing Third Party Management in a timely manner
- Decision made by the regional office contributed, in part, to the financial difficulties faced by the Tobique First Nation.



## Findings: Atlantic Region and Tobique First Nation's New School Project

Based on the nature of this project and previous history regarding the financial management issues in this First Nation, special precautions need to be undertaken including:

- INAC needs to ensure that there is a financial monitor who is independent of the First Nation to monitor the administration and costs of the project;
- INAC needs to scrutinize the costs and work product of any entities owned by the First Nation used in the completion of the project;
- The use of cash advances should be limited.



## Findings: Region's Management and Oversight of other Regional First Nations

- Use of financial trend charts by the region as a monitoring and assessment tool is useful. Further quality control measures are needed to ensure consistency in financial information with the audited financial statements
- There is a need for improved communication in relation to funding, compliance and recoveries especially on how these issues may have an impact on a First Nation's financial position
- Currently the region is relying heavily on the cumulative deficit percentage in assessing the financial stability of a First Nation
- The region lacks a policy regarding the frequency of meetings with First Nations. Meeting with First Nations not under a Remedial Management Plan were not held consistently. There is a need for consistent documentation of meetings held and the follow-up to these meetings.



## Findings: Region's Management and Oversight of other Regional First Nations

There was inadequate review of a First Nation's financial results due to:

- Regional staff's lack of understanding of the new Public Sector Accounting Board's (PSAB) rules and their implications;
- Regional staff's lack of capacity to conduct detailed reviews of financial statements;
- Regional staff's over reliance on the auditor's assessment of the First Nation;
- The differing presentation of financial information in the financial statements of First Nations is causing confusion;
- PSAB presentation may not meet INAC's needs in relation to assessing the financial position of, and the use of INAC funding by, a First Nation.



## Findings: Oversight Function of INAC HQ

### Lack of Oversight

- At time of review, no proactive monitoring by INAC HQ of status of First Nations across Canada.
- No way for INAC HQ to identify issues in regions or inconsistencies in practices or policies between regions and/or First Nations.

### Recommendations

- INAC HQ should develop an oversight function which will allow HQ to proactively identify First Nations of concern.
- INAC HQ should identify key metrics to be included in the department's First Nations and Inuit Transfer Payment (FNITP) system and review these on a regular basis. This requires a standardized **consistent and consolidated audited financial statement** presentation as well as standardization of inputs into FNITP.
- INAC HQ should take the steps necessary to ensure there is capacity in the regions and to properly review and analyze the financial performance of First Nations.





## Management Response to Findings: General Comments

- The regional office has taken steps to address areas of concern and identified deficiencies including: more active monitoring by senior management of intervention issues; improvements to the MCF; work with RO to improve the QMP function; reallocation of resources to align with risk and enhance the accountability function; improvements to FNITP and FNITP training.
- Considerable work is left to be done in the area of PSAB rules. Support from CFO is required to provide the appropriate tools and indicators for evaluation of recipient financial statements as well as the need for additional training in this area. Region is in the process of engaging Audit Services Canada to support the audit review process.
- The decision of whether to approve a ministerial loan guarantee (MLG) is dependent, to a great extent, on the information provided by co-managers and others. These are difficult decisions to make given the significant negative impact a disapproval can have on a community.



## Management Response to Findings: General Comments

- The transfer payment policy that was in place allowed for advances from one year to the next within the context of a five year block. It was deemed allowable to adjust a cash flow within a fiscal year.
- This kind of situation will be evaluated with much more scrutiny now and cash management would only be considered on an exceptional basis.
- The issues that have given rise to the problems in the Tobique First Nation have existed for decades.
- External factors such as internal strife in the community, the advent of Peace Hill Trust, the presence of VLTs, expanded provincial funding and the impact of the Marshall decision have had more impact on the community's financial situation than the actions of the Atlantic regional office.





## Management Response to Findings: Action Items

- A Tobique working group is in place to address financial and program delivery issues, involving all federal funders.
- Regional management committee with participation from HQ CFO office, reviews the status of all intervention files monthly.
- Terms of reference for the funding agreements have been revised to clearly identify need for tuition agreements with respective provinces to be in place and in good standing prior to INAC transferring funds.
- MOU signed with INAC, PNB and NB First Nations establishing a comprehensive approach to addressing education and arrears issues between all parties.
- All financial institutions have been informed of the obligations under the DFNFA. This includes clarifying that BCRs with irrevocable redirection of INAC funds are not imposable on INAC.
- Region is now following the new MLG Policy and has created a regional desk book that dictates the processes required for approval.



## Management Response to Findings: Action Items

- Region has strengthened its MCF with respect to the development of a recovery directive clearly indicating roles and responsibilities.
- The requirement for approvals of MLGs is now an agenda item for the Regional, senior management Audit and Accountability Committee.
- Region has worked with the Tobique First Nation to address the arrears for loans.
- Region has reallocated resources to support front line staff in performing accountability function. A compliance unit has been developed and staffed.
- Region is adhering to the HQ-developed MCF/QMFs and the cash management policy is being followed.



## Management Response to Findings: Action Items

- Region has enhanced its default monitoring and oversight through the development of key indicators, ongoing assessments and regular reviews of intervention files.
- CFO Office has strengthened its updates on recipients under intervention to facilitate more active monitoring.
- Since January 1, 2010 all regions are required to update IP date into FNITP. Starting April 1, 2010, summary reports including list of FNs under intervention are provided to DFS, DCS, and ARDG on monthly basis. COE is provided IP statistics and highlights to senior management (FMC) on a quarterly basis.
- A general assessment and readiness assessment tool have been developed at HQ to identify those FNs managing higher level risks to inform nature of agreements and capacity development requirements.
- Appropriate governance and oversight of the school project is in place. Region, in conjunction with the CFO, CAEE and RO have developed a national model agreement that will mitigate risks.