

How do the 2019 Changes to the FMB Standards Affect my Policies and Procedures¹

FMB made changes to our Financial Management System (FMS) Standards on April 1, 2019 to keep up with best practices and to better meet First Nations governments' needs. There are new, changed and removed FMS Standards that will mean updates to your policies and procedures if you based them on our 2016 Sample Policies and Procedures (SPP). Your Capacity Development Manager can support you in updating your policies and procedures so they meet the new 2019 FMS Standards. Please contact them directly or email the Capacity Development team at: cd@fnfmb.com

The table below summarizes the FMS Standards changes at April 1, 2019 and identifies where your policies and procedures may need to be updated if they were based on the 2016 SPPs. Optional but not required changes are shaded in grey.

Remember that any changes to your policies and procedures need to align with your Financial Administration Law (FAL), which will also need updating if it is based on a 2016 or earlier version of the Sample FAL.

FMS Standard Reference	Description of Change	2019 Standards Compared to 2016	2016 SPP Reference	2019 SPP Reference
8.0 & 9.0 – Policies and Procedures	<ul style="list-style-type: none"> Change to allow policies to be approved by Council and then for the CAO to establish and approve procedures Council no longer needs to be involved in the approval of detailed procedures if policies have been first approved by Council 2016 Standards required that Council approve both policies and procedures with no option for delegation of procedures approval 	<p>Standard relaxed</p> <p>Optional change</p>	<p>GOVERNANCE SPP</p> <p>Section 2 – Policies, Procedures and Practices</p> <ul style="list-style-type: none"> 2.D.(1) & (2) Council, Senior Manager Responsibilities <p>Section 3 - Delegated & Assigned Responsibilities</p> <ul style="list-style-type: none"> 3.D.(1) & (2) Council, Senior Manager Responsibilities <p>Appendix A</p> <ul style="list-style-type: none"> Authorization and Delegation Table 	<p>GOVERNANCE SPP</p> <p>Section 2 – Policies and Procedures</p> <ul style="list-style-type: none"> Council, Chief Administrative Officer Responsibilities <p>Section 3 – Delegated & Assigned Responsibilities</p> <ul style="list-style-type: none"> Council, Chief Administrative Officer Responsibilities Authorization and Delegation Table

¹ This document is a summary. For a full description of FMS Standards' changes as at April 1, 2019, please visit: <https://fnfmb.com/en/services/set-standards/2019-changes-fmb-standards>

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12.7.3, 12.7.4 – Employee performance evaluations	<ul style="list-style-type: none"> New requirement to establish performance measures and include in employee performance evaluations 2016 Standard had no requirement for establishing performance measures, but employee evaluations were required 	<p>New requirement in Standards</p> <p>Change required</p>	<p>No existing reference. Consider including in:</p> <p>HUMAN RESOURCES SPP Section 4 - Employee Evaluation and Planning</p> <ul style="list-style-type: none"> 4.B Purpose 4.D.(1) Council Responsibilities 	<p>HUMAN RESOURCES SPP Section 4 - Employee Evaluation and Planning</p> <ul style="list-style-type: none"> Purpose Council Responsibilities
13.2.1 – Conflicts of interest	<ul style="list-style-type: none"> New requirement for Council to disclose circumstances, as soon as they arise, that could result in an actual or potential conflict of interest 2016 Standards only required this for non- Council members 	<p>New requirement in Standards</p> <p>Change required</p>	<p>No existing reference. Consider including in:</p> <p>GOVERNANCE SPP Section 4 – Code of Conduct</p> <ul style="list-style-type: none"> 4.A. Policy Statement 4.D.(1) Council Responsibilities 	<p>GOVERNANCE SPP Section 4 - Code of Conduct and Conflicts of Interest</p> <ul style="list-style-type: none"> Policy Statement Council Responsibilities
17.1 – Multi-year financial plan	<ul style="list-style-type: none"> Changed and new requirements for multi-year financial plan contents 2016 Standards required multi-year plan consider economic and social impacts of capital projects - 2019 Standards do not require this but require capital projects be included in the multi-year financial plan 	<p>New and changed requirements in Standards</p> <p>Change required</p>	<p>No existing reference. Consider including in:</p> <p>FINANCE SPP Section 2 – Annual Planning and Budgeting</p> <ul style="list-style-type: none"> 2.E.(4) Multi-Year Financial Plan 	<p>FINANCE SPP Section 2 - Annual Planning and Budgeting</p> <ul style="list-style-type: none"> 2.4 Multi-Year Financial Plan
19.7.1, 19.7.2 – Bank reconciliations	<ul style="list-style-type: none"> New requirement for independent review of monthly bank reconciliations and to include a definition for independent 2016 Standards did not require an independent review of bank reconciliations 	<p>New requirement in Standards</p> <p>Change required</p>	<p>No existing reference. Consider including in:</p> <p>FINANCE SPP Section 4 - Financial Institution Account and Cash Management</p> <ul style="list-style-type: none"> 4.D.(3) Senior Financial Officer Responsibilities 4.E.(8) Account Reconciliation 4.E.(9) Independent Review 	<p>FINANCE SPP Section 4 – Financial Institution Account and Cash Management</p> <ul style="list-style-type: none"> Director of Finance Responsibilities 4.8 Account Reconciliation 4.9 Independent Review

FMS Standard Reference	Description of Change	2019 Standards Compared to 2016	2016 SPP Reference	2019 SPP Reference
20.4 - Investments	<ul style="list-style-type: none"> • New requirements to include in investment policy: <ul style="list-style-type: none"> - periodic review of investment strategy - periodic review of compliance with investment strategy • New requirements for: <ul style="list-style-type: none"> - ongoing compliance with investment strategy, along with FAL, policies and procedures - documented investment strategy • 2016 Standards did not include the same detailed policy requirements 	<p>New requirement in Standards</p> <p>Change required</p>	<p>No existing reference. Consider including in:</p> <p>FINANCE SPP Section 9 Investments</p> <ul style="list-style-type: none"> • 9.D.(1) Council Responsibilities • 9.E. Determine Investment Strategy 	<p>FINANCE SPP Section 9 Investments</p> <ul style="list-style-type: none"> • Council Responsibilities • 9.1 Determine Investment Strategy
21.5 – Monthly financial information	<ul style="list-style-type: none"> • Change to allow options for who the monthly financial information is provided to: Council, FAC, CAO or any combination of these three • 2016 Standards required the monthly financial statements to be provided to <u>both</u> FAC and Council 	<p>Standard relaxed</p> <p>Optional change</p>	<p>FINANCE SPP Section 3 – Financial and Operational Reporting</p> <ul style="list-style-type: none"> • 3.D.(1) & (2) Council, Finance and Audit Committee Responsibilities • 3.E.(1) Financial Reports List 	<p>FINANCE SPP Section 3 - Section 3 – Financial and Operational</p> <ul style="list-style-type: none"> • Council, Finance and Audit Committee Responsibilities • 3.1 Financial Reports List
21.6.2 – Quarterly financial statements	<ul style="list-style-type: none"> • Standard requiring bank reconciliations be included in quarterly financial reports is eliminated 	<p>Standard eliminated</p> <p>Optional change</p>	<p>FINANCE SPP Section 3 – Financial and Operational Reporting</p> <ul style="list-style-type: none"> • 3.E.(2)b. Financial Statement Preparation 	<p>FINANCE SPP Section 3 - Financial and Operational Reporting</p> <ul style="list-style-type: none"> • 3.2 Financial Statement Preparation

FMS Standard Reference	Description of Change	2019 Standards Compared to 2016	2016 SPP Reference	2019 SPP Reference
22.1.2 – Auditor appointment	<ul style="list-style-type: none"> Change to include detailed list of required items in auditor's engagement letter. These items reflect what is required by Canadian Auditing Standards and were moved from FAL to policies/procedures Additional requirement to provide auditor with a copy of the First Nation's FAL and FMB's Local Revenue Financial Reporting Standards (LRFRS), if First Nation is collecting property taxes <u>and</u> auditor is auditing First Nation's local revenues financial report 2016 Standards referenced FAL requirements for auditor's engagement letter and did not include requirement for providing auditor with copy of FAL or LRFRS 	<p>New requirement in Standards</p> <p>Change required</p>	<p>No existing reference. Consider including in:</p> <p>GOVERNANCE SPP Section 8 – External Audit</p> <ul style="list-style-type: none"> 8.D.(4) Senior Financial Manager Responsibilities 8.E.(1) e. Auditor Selection, Engagement and Performance 	<p>GOVERNANCE SPP Section 8 – External Audit</p> <ul style="list-style-type: none"> Director of Finance Responsibilities 8.1 Auditor Selection, Engagement and Performance
22.1.3 – Auditor involvement in special purpose reports	<ul style="list-style-type: none"> change to allow for choice on auditor's level of involvement in special purpose reports with new Standards only requiring auditor to "report on" special purpose reports auditor involvement level will be defined in the FAL - 2019 Sample FAL defaults to audit report or review engagement report, which is the same as 2016 Sample FAL 2016 Standards required an audit report or review engagement report for all special purpose reports 	<p>Standard relaxed</p> <p>Optional change</p>	<p>No existing reference. Consider including in:</p> <p>GOVERNANCE SPP Section 8 – External Audit</p> <ul style="list-style-type: none"> 8.E.(1) e. Auditor Selection, Engagement and Performance 	<p>GOVERNANCE SPP Section 8 – External Audit</p> <ul style="list-style-type: none"> 8.1 Auditor Selection, Engagement and Performance

FMS Standard Reference	Description of Change	2019 Standards Compared to 2016	2016 SPP Reference	2019 SPP Reference
23.1 – Annual Report	<ul style="list-style-type: none"> change to incorporate annual report contents into policies/procedures instead of referencing FAL, which include: <ul style="list-style-type: none"> requirement to report on “established objectives and performance measures”, both financial and non-financial measures 2016 Standards referenced FAL requirements on annual report content 	<p>New requirement in 2019 Standards but 2016 SPP meet 2019 Standards</p> <p>Change required <u>only</u> if Nation’s policies/procedures did not use 2016 SPP language</p>	<p>FINANCE SPP Section 3 – Financial and Operational Reporting • 3.E.(5)b. Annual Report</p>	<p>FINANCE SPP Section 3 – Financial and Operational Reporting • 3.5 Annual Report</p>
23.1 – Annual Report	<ul style="list-style-type: none"> change allowing annual audited financial statements and special purpose reports to be included in annual report by reference only (where/how these can be accessed) 2016 Standards required annual audited financial statements and special purpose reports be included within annual report 	<p>Standard relaxed</p> <p>Optional change</p>	<p>FINANCE SPP Section 3 – Financial and Operational Reporting • 3.E.(5)b. Annual Report</p>	<p>FINANCE SPP Section 3 – Financial and Operational Reporting • 3.5 Annual Report</p>
23.3 – Annual Report	<ul style="list-style-type: none"> Standard requiring annual report be provided to FMB is eliminated 	<p>Standard eliminated</p> <p>Optional change</p>	<p>FINANCE SPP Section 3 – Financial and Operational Reporting • 3.E.(5)c. Annual Report</p>	<p>FINANCE SPP Section 3 – Financial and Operational Reporting • 3.5 Annual Report</p>
25.0 – Tangible Capital Assets	<ul style="list-style-type: none"> detailed list of capital asset register contents removed from 2019 FMS Standards, which now reference FAL compliance FAL requirements around capital asset life-cycle management have been modified to better meet First Nations’ needs 	<p>New requirement in Standards</p> <p>Change required</p>	<p>FINANCE SPP Section 10 – Tangible Capital Assets • 10.E.(1)b. Tangible Capital Asset Register • 10.E.(6)a.to d. Life-Cycle Management Program</p>	<p>FINANCE SPP Section 10 – Tangible Capital Assets • 10.1 Capital Asset Register • 10.5 Life-Cycle Management Program</p>

FMS Standard Reference	Description of Change	2019 Standards Compared to 2016	2016 SPP Reference	2019 SPP Reference
Providing FAL to FNFA	• Requirement to provide FAL to FNFA is eliminated	Standard eliminated No change required	No reference	No reference
Operations manual	• Requirement for operations manual to be maintained and made available is eliminated	Standards eliminated No change required	No reference	No reference
Compliance with other legislation	• Standards requiring compliance with <i>First Nations Land Management Act</i> and <i>First Nations Oil and Gas and Moneys Management Act</i> are eliminated	Standard eliminated No change required	No reference	No reference

For Clients Adopting the 2019 Sample FAL

- Changes to the 2019 FAL Standards allow for some requirements to be created as separate policies and procedures instead of within the FAL
- 2019 FMS Standards were updated to include requirement to establish policy and procedures as follows:
 - If the First Nation has chosen to keep existing pre-2019 FAL provisions, then the policy and procedures' requirements are met within the FAL
 - If the First Nation has adopted the new 2019 Sample FAL, then separate policy and procedures are required, however SPPs already cover these areas. If the First Nation uses the 2019 SPPs, then no changes are required

The following are FMS Standards with a new requirement to establish policy and procedures AND to comply with the FAL provisions:

- 13.1, 13.6 – Conflicts of interest
- 19.1 & 19.2 – Funds and revenue management
- 19.3 & 19.4 – Cash management
- 19.8.1 & 19.8.2 – Expenditures management
- 19.12.3 & 19.12.4 – Borrowing
- 19.12.5 & 19.12.6 – Granting security
- 20.2.1 – Lending
- 21.1 & 21.2 – Financial reporting
- 25.3, 25.4, 25.6.2 – Tangible capital asset life-cycle planning and capital projects



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- 26.1, 26.2 – Membership involvement with capital projects
- 29.3.5 & 29.3.6 – Membership involvement with FAL amendments

The following are FMS Standards with only a new requirement to establish policy and procedures

- 20.2.1 – Investments (restrictions and financial institutions)
- 24.1 – Ownership of records