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COMMUNITY ENGAGEMENT AUGUST 14, 2017 – AUGUST 31, 2018

BACKGROUND

At the end of November 2016 Indigenous and Northern Affairs (INAC) completed its review of Cumberland House Cree Nation's (CHCN) audited financial statements. As a result of those statements CHCN was notified that they were required to continue working under the accepted 2012 Management Action Plan (MAP) arrangement but will still be required to update the financial projection. This Expert Resource level of intervention was to remain in effect until all tasks had been completed and goals had been achieved.

The Chief and Council, with the assistance of their Expert Resource Advisor (ERA), Donna Bear continued their work throughout the 2016/17 fiscal year without any updates to the financial projection. INAC recognized that CHCN was non-compliant to the recommendations as outlined in the audit review letter. It was in May of 2017 when their ERA resigned and the position was advertised. After the interview process CHCN Chief and Council were successful in contracting Marcia Seesequasis on August 4, 2017 as the new Recipient Appointed Advisor.

The CHCN's Chief and Council will have to establish ambitious deficit recovery targets because of the size of their cumulative deficit. In order for the MAP to be successful they need adequate and timely information to make informed decisions.

CHCN does not have financial policies which has resulted in deficits. The Band does not have the ability to provide band membership assistance. Any Own Source Revenues will be used to addresses past deficits.

FREQUENTLY ASKED QUESTIONS

The band is currently in intervention status, and why?

CHCN (recipient) is **in default of its funding agreement**. The funding agreement will outline the requirement to that the recipient develop and

implement a MAP that is acceptable to the Indigenous and Northern Affairs (department).

What is default?

When the recipient **defaults in any of its obligations set out in any agreement** through which a federal department funds the recipient.

- The auditor gives a **disclaimer of opinion or adverse opinion** on the financial statements
- The opinion of the department is that the **financial position of the recipient is such that the delivery of the Program for which a program is funded under the agreement is at risk**
- The opinion of the department is that the **health, safety or welfare of the service population is at risk or being compromised**

What is a MAP?

Management action plan that **conveys a strategy** that the recipient will use to **remedy the default**.

- The map will set out the default to be resolved as identified in the departments notice to the recipient of the requirement to prepare and implement a MAP
- A comprehensive resolution strategy
- The necessary actions required to implement the strategy
- The operating time frame/ timelines ie. Effective date, review dates, completion date and termination dates

What are the causes of default?

Lack of funding availability

Non-discretionary spending

Ineligible expenses incurred within a department

RECIPIENT APPOINTED ADVISOR

The department may require the recipient to seek such support to assist them in resolving the default. The MAP should outline the expected deliverables of the recipient appointed advisor, timelines and performance measures that would allow for the MAPS completion.

The recipient should have this system of check and balances to ensure that Chief and council are adhering to the division of powers between governance and administration.

RESPONSIBILITY

The ERAs responsibility is to work with CHCN to build capacity by providing training and development to eliminate the risk of default. The ERA has the knowledge and experience to manage CHCN funds and ensure service delivery. The ERA will demonstrate accountability to the community they serve and establish, communicate and support planning. The ERA will review and authorize

expenditures on a daily basis, and assist in revising and developing policies that improve the efficiency of CHCN's financial management. In the interim, until such time that the financial policies are finished, the ERA will deliver and implement procedures as outlined in Appendix 1 (see attached) to establish and monitor internal controls immediately.

CHCN Chief and Council and the ERA jointly assume and will be responsible for revising and implementing the MAP and guarantee all the conditions of the MAP are achieved. The Chief and Council agree to maintain this arrangement for their financial affairs until the cumulative deficit is eliminated.

All policies that are ratified and adopted by the CHCN will bind the present Chief and Council and its successors.


The present Chief and Council of CHCN are in agreement to the above conditions and understand that it shall form part of the Terms and Conditions of CHCN's Comprehensive Funding Agreement for the remainder of the Expert Resource Level of intervention or until retirement of the MAP.

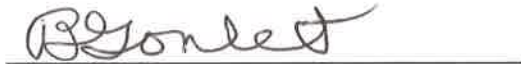
CUMBERLAND HOUSE CREE NATION
August 14, 2017 to August 31, 2018

On Behalf of
Cumberland House Cree Nation

Expert Resource Advisor for
Cumberland House Cree Nation


Chief


Marcia Seesequasis,


Councillor


Councillor


Councillor


Councillor

in Presence of INAC Representative:


Signature

Name: Michelle Gola

Date: August 17, 2017

Appendix 1

Co signer

To provide quality assurance, the Expert Resource Advisor (ERA) will be given signing authority on all operating bank accounts. As a mandatory signing authority, the ERA has the capacity to review all payments, purchase orders and contracts.

Administration staff will complete bank reconciliations on a timely basis and provide the ERA with daily balances and transaction details to ensure there is no unusual activity. The ERA will provide Cumberland House Cree Nation (CHCN) Chief and Council a monthly cash flow projection outlining pay and obligations for the upcoming month.

Each Director will develop work plans and budgets for their programs. With these work plans and budgets the ERA and the Financial Management Advisory Committee will be able to commit the cash requirements within the cash flow projection.

Spending Restraints

Discretionary Spending

Expenditure cuts on non - discretionary expenditures will include but are not limited to the following:

- Chief, Council and staff travel, supplies, meeting, training and workshops.
- Travel per position will be outlined in the budget and will be limited to their allowance.
- Supplies and materials will be also be outlined in the budget. The budget will be set in accordance with the funding arrangements expenditure limits and spread out evenly throughout the fiscal year.
- Meetings, training and workshops will be based on budget availability and determined on a needs basis.
- Capital projects such as housing renovations must be approved before the start of the project to ensure there are funds available.

Administration costs including salary and travel will be restricted to the budget and not be allowed to exceed their annual budgets. Once a budget has been fully exhausted, additional funds will need to be sought out by the programs in order to continue spending.

There will be no new staff positions added unless budgeted or unless there is additional funding received for programs and services. The Finance Officer will ensure that all programs and services are being delivered and that all health and safety concerns are being addressed. Any unexpected occurrences that require a

significant expenditure that are not included in the budget will be applied to the Capital or Revenue trust as communicated to INAC by the Finance Officer.

Band Membership Assistance

Band Membership assistance (BMA) will be restricted to the following:

- Bereavement contribution (up to the amount within INAC policy)
- Natural disaster such as a fire or flood to home
- Weddings to the max of \$500 once in a lifetime

A BMA applicant must fill out an application request for assistance and provide documentation to support the application.

- In the event that an immediate family is called in to an emergency life threatening circumstance the Social and Health department will be contacted to determine eligibility within their program area. Immediate family will be defined as per the INAC Social Programs Policy (Family unit/ members (includes parents, brothers, sisters, grandparents, grandchildren, spouse & children))

Own source Revenues

All incremental revenues will be put towards deficit recovery to pay down loans, outstanding payables and replenish the replacement reserve.

All individuals in CMHC units will be expected to pay rent to cover the mortgages and will be invoiced accordingly. Forthcoming will be a universal user fee charged to all units (Band/ CMHC) to offset the costs associated with infrastructure (water systems, sanitation and garbage disposal).

These spending restraints must be aggressive considering the increase in the overall Net Debt as per the 2015/16 Audited Financial Statements. In the event that the spending restraints are not adhered to, the targeted goals of the MAP will not be achieved. INAC will be contacting CHCN and the ERA to determine if viable options are available and if not then may result in further intervention for CHCN.

Internal Controls

The Chief and Council have agreed to the above and as such will continue to support the implementation of the following sound financial management practices and procedures.

A Financial Management Advisory Committee (FMAC) will be developed. The Finance Committee members will be based on competency and commitment.

They will consist of:

1. Co Manager; ERA
2. Finance Officer
3. Director of Operations; Human Resources; Payroll Administrator
4. INAC Representative
5. Financial Institution Representative
6. Two representatives as designated by the Chief and Council
7. Elder

A terms of reference will be developed for the committee as approved by Chief and Council. The committee will determine the signing authorities for the operating bank accounts. The change in the signing authorities is a directive of the MAP to give professional liability assurance to the Chief and Council on behalf of all stakeholders. The committee will forward their recommendations to the Chief and Council for approval and the signing of the BCR's.

The committee will work on the Financial Policy and Procedure manual in accordance with best practices. They will engage a legal review of the manual and then present it to Chief and Council for ratification. The committee will complete the manual on/before March 1, 2018, thus to be implemented effective April 1, 2018.

Expense authorization

No individual Council member will be approving expenses. If an expense is to be approved by Council it will be only by quorum of Council at a duly convened meeting in the presence of the ERA for consultation.

All requisitions must be signed by the Program Director and Portfolio Councilor to be considered by FMAC. Signing of the requisitions does not guarantee payment. FMAC will have the final approval for payment which will be based on budget, work plans and YTD Financials.

All workshops/ conferences/ meetings for all staff will be by application process. FMAC will review the application to determine whether the expense will be beneficial to the program to which they are accountable. The workshops/ conferences/ meetings should also be outlined in the work plan to the program they are charging the expense.

Interim Procedures

All requests/requisitions are to be submitted to Finance before the end of day on Monday. All requests received will be reviewed by FMAC on Tuesday morning. All approved requisitions for payment will be processed on Wednesday and released on Thursday mornings at 9 a.m. *Submission of the request on Monday does not guarantee payment on Thursday.

All cheque requisitions must include the following:

Date
Department Code and Class
Supporting Documentation

Purchase/ work orders (PO) will be centralized and will be treated in the same manner as a request/requisition. Obtaining services without a PO may lead to non-payment of the expense. Any individual authorizing a purchase/service/contract without a PO may be held personally liable for the expense.

All requests will be reviewed by the FMAC to ensure all criteria has been met and to confirm eligibility within the department to which the requested expenditure has been coded. If all requirements have not been adhered to as stated above, the request will be denied. The team will also ensure that the department is within budget and/or that is not in conflict with the spending restraints.

Finance Office Closure

To adequately and accurately measure the financial position of CHCN the ERA has requested that the Finance Office be closed to the public effective immediately. The office closure will commence on August 21, 2017 .The time fram to reopen at this time is undetermined due to the heavy workload in which they are in need of completing. It is estimated that they will need a least a month to get them caught up. Finance at this time will be undergoing numerous procedural changes and need to prepare themselves to provide timely and reliable information to FMAC, Chief and Council, Stakeholders and the Community. Directors will also be busy during this time working with the ERA to review their budgets, work plans, and funding agreements to ensure adequate service delivery of the funded programs.

We thank you all for your cooperation and understanding during this time.



November 30th, 2016

GJDM#975351

30-0005-16-16

Cumberland House Cree Nation
P.O. Box 220
Cumberland House, SK. S0E 0S0

RE: 2015-2016 Audited Financial Statements

Indigenous and Northern Affairs Canada (INAC), North Budget Center Office audit review committee has reviewed your audited financial statements for the year ending March 31, 2016.

After the review it was noted that Cumberland House Cree Nation received an unqualified auditor opinion and reported Net Financial Assets of (\$5,671,424). The current year Change in Net Financial Assets is found to be at (\$295,519) and Net Assets of \$16,124,415.

Within our compliance and solvency review (attached) the three ratios were determined to be as follows:

- Liquidity: 0.60
- Sustainability: 0.39
- Working Capital to Revenue: (0.23)

The current year Liquidity Ratio is 0.60. This ratio is trending in a slightly positive direction as the Liquidity Ratio from the previous year was 0.53. This lower value shows the current assets cannot address 90% of the current liabilities. In the short term the Cumberland House Cree Nation Band will have difficulties addressing its liabilities.

The current Sustainability Ratio is at 0.39. This ratio is trending in a slightly positive direction as the Sustainability Ratio from the previous year was 0.23. The recommended Sustainability Ratio should be equal to or greater than 0.50.

The current year Working Capital to Revenue Ratio is at (0.23). This ratio is trending in a negative direction as the Working Capital to Revenue Ratio from the previous year was (0.10). The recommended Working Capital to Revenue Ratio should be equal to or greater than 0.00. This indicates that it will take more than 8% of the coming year's revenues to address the current liabilities outstanding, difficulties will be experienced while operating in the shorter term.

- It has been noted that your First Nation operating deficit for the 2015-2016 fiscal year increased by \$833,039 to a total of (\$4,009,515).
- It has also been noted that the CMHC reserve was **under funded by \$1,465,563** as of March 31, 2016.
- As of March 31, 2016, the First Nation was in overdraft in the amount of \$293,714
- The First Nation increased a settlement claim loan in the amount of \$1,423,855 (approved to \$1,800,000) as well as a debit consolidation loan in the amount of \$896,925 in 2015/16

Canada

- In the Financial Statement, the First Nation bank indebtedness position has increased from \$0 to \$518,714
- The Accounts Payable has increased by \$412,106 to \$2,487,793
- It is also noted that the First Nation should be saving \$220,000 yearly according to the Management Action Plan budget.

Your auditor has provided a Management Letter that outlines issues regarding internal controls. It has been noted the recommendations have decreased substantially from previous years however INAC continues to concur with the issues identified. The recommendations/comments are listed below:

- *The First Nation reported an overall deficit of \$369,595 (2015 - \$811,764). The actual operating deficit increased \$833,039, not including restricted equity in assets, reserves and investments, unrestricted cash resources decreased \$634,452 and payables increased \$412,106. The First Nation is struggling with cash flow and if overspending continues it will impact program delivery for funded programs. The land claim, when settles, will assist the First Nation with outstanding debt, payables, and cash flow.*
- **Accounts Payable**
 - *Entered from statements rather than from invoices which resulted in duplicate entries*
 - *Entered into the band sub-ledger and also into the CMHC sub-ledger which resulted in expenses being recorded twice.*
 - **Recommendation:** *Additional training on entering invoices, maintaining payables and reconciling supplier statements.*
- **Housing Department**
 - *Expenses related to capital construction and repairs and maintenance greatly exceeded the available revenue resources.*
 - *Expenses were not properly tracked between capital construction, band based capital and CMHC*
 - **Recommendation:** *Invoices should be entered upon receipt and should be coded to the appropriate area. Project managers and program managers should be comparing actual expenditures to budgets on a routine basis to ensure projects and programs are operating within the restraints of available funding.*
- **Social Development**
 - *The program operated on the Ferrus system. The system generates a monthly accounting entry that should be recorded in the band's accounting system on a monthly basis.*
 - **Recommendation:** *Finance staff should be making entries according the generated report and then balances relating to advances, payables and the bank should be checked to ensure there are no discrepancies.*

- *Monies paid directly through PAGC to individuals that had to be accounted for in the First Nation's records. In the current year - \$150,659 (2015 - \$184,538)*
 - *We were unable to determine whether these transactions were subject to the same approval process as other band expenditures and PAGC provided no information as to the purpose of the expenditures.*
 - *Receipts and authorizations should be on file at the band office for these monies, in particular monies that are paid to an individual that are dispersed to others or used to purchase goods.*
 - *In some instances, program dollars did not flow to the First Nation but were applied against amounts owed by the First Nation to PAGC*
 - *These amounts are not confirmed until well after year end and at that point in time it is difficult to allocate those expenses to a program whose budget has already been expended.*
 - ***Recommendation:*** *The finance office should receive a monthly report from PAGC detailing all monies that they have coded to their receivable. The finance staff could then allocate those expenses to a program if applicable. The First Nation should limit this practice other than in extreme emergencies.*

Cumberland House has submitted an updated MAP but is still required to update the financial projections. The current level of default management will remain the same for the 2016/2017 fiscal year.

We noted that your community has 153 houses on which there are Ministerial Loan Guarantees in place. In the audited financial statements we were able to identify \$601,565 of rent collected in 2015-2015: it seems that the implemented rental policy is effective.

The Governance unit has completed their review of the trust funds portion of the 2015-2016 audited financial statements. There were no releases from the capital and revenue accounts and opening and closing balances are accurately shown. No corrective action is required.

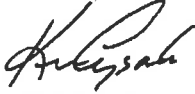
Fixed Contribution - After completing a review of program reports and/or "Annex A Programs and Services, Revenue and Expenditures schedules" we have noted that no programs reported unexpended funding as at March 31, 2016.

Program	Funding Approach	Unexpended Funding
Post Secondary Program	Fixed	\$10,277

Set Contribution - After completing a review of program reports and/or "Annex A Programs and Services, Revenue and Expenditures schedules" we have noted that the following programs reported unexpended funding as at March 31, 2015. As these programs were "Set Contributions" the unexpended funding amounts must be returned to INAC. A recovery was done in October 2016.

Program	Funding Approach	Unexpended Funding
NCBR Program	Set	\$455

We would like to meet with you and your financial institution about your financial plan. If you have any questions or concerns, please do not hesitate to contact your Funding Services Officer, Michelle Gola at 953-8653.



Kevin Lysak
Associate Director
INAC- North Budget Centre
110 -3601 5th Avenue East
Prince Albert, SK S6W 0A2

Encl: Compliance and Solvency Review

CC: Michelle Gola, Field Services Officer
Chalupiak & Associates
Donna Bear, Expert Resource, Cumberland House Cree Nation

Chalupiak & Associates
Certified Management Accountant
3261 Saskatchewan Drive, Regina, SK S4T 6S4
Phone (306) 359-3711 Fax (306) 569-3030

August 22, 2016

Chief Lorne Stewart
Cumberland House Cree Nation
P.O Box 220
Cumberland House, SK S0E 0S0

Dear Chief Stewart

Re: Management letter – year ended March 31, 2016

We have been engaged to audit the financial statements of Cumberland House Cree Nation for the year ending March 31, 2016. Canadian generally accepted standards for audit engagements require that we communicate the following information with you in relation to our audit.

Evaluation of Internal Controls

Audits include a review and evaluation of the system of internal controls to assist in determining the level of reliance that may or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

With the exception of the housing department, the internal control system is adequate and serves its purposes. It provides appropriate control over expenses, and documentation is filed in an orderly manner. The housing department needs to adhere to the same internal control standards that the other band operations follow.

Significant Accounting Principles

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The accounting policies used by the Cumberland House Cree Nation are described in note 2, Significant Accounting Policies, in the financial statements.

As is usual with First Nation related entities, often times there is a conflict between generally accepted accounting principles and the principles that must be applied to satisfy the requirements of the funding agencies, as described in the "Auditor's Handbook" published by AANDC.

The Cumberland House Cree Nation has adopted accounting principles drawn from both areas to suit their specific circumstances.

Significant Unusual Transactions

We are not aware of any significant or unusual transactions entered into by the Cumberland House Cree Nation you should be informed about.

Accounting Estimates

Management is responsible for the accounting estimates included in financial statements. Estimates and the related judgments and assumptions are based on management's knowledge of the Cumberland House Cree Nation and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the following:

- Calculation of accounting estimates,
- Analyzing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

Certain accounting estimates are particularly sensitive because they involve a significant degree of judgment and may have a range of possible outcomes.

We did not encounter any unusually sensitive accounting estimates of a significant nature

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the Cumberland House Cree Nation's financial statements or auditor's report. Disagreements may arise over the following:

- Selection or application of accounting principles;
- Assumptions and related judgments for accounting estimates;
- Financial statement disclosures;
- Scope of the audit; or
- Wording of the auditor's report.

We are pleased to inform you that we had no disagreements with management during the course of our audit.

Consultation with Other Accountants (Second Opinions)

Management may consult with other accountants about auditing and accounting matters to obtain a "second opinion." When an entity requests that another accountant provide a written report or oral advice on the application of accounting principles to a specific transaction or the type of opinion that may be rendered on the entity's financial statements, we are required to ensure that the accountant has ensured that the reporting accountant has knowledge of all facts and circumstances and has conducted the engagement in accordance with Canadian generally accepted auditing standards on the Reports on the Application of Accounting Principles. We are not aware of any consultations that have taken place with other accountants.

Issues Discussed

The auditor generally discusses among other matters, the application of accounting principles and auditing standards, and fees, etc with management during the initial or recurring appointment of the auditor during the normal course of business. There were no major issues discussed during our audit with regards to our retention that were not in the normal course of business.

Difficulties Encountered During the Audit

We encountered no significant difficulties during our audit that should be brought to your attention.

Other Comments

The First Nation reported an overall deficit of \$369,595 (2015 - \$811,764). The actual operating deficit increased \$833,039, not including restricted equity in assets, reserves and investments, unrestricted cash resources decreased \$634,452 and payables increased \$412,106. The First Nation is struggling with cash flow and if overspending continues it will impact program delivery for funded programs. The land claim, when settled will assist the First Nation with outstanding debt, payables and cash flow.

The following comments are general observations and recommendations in areas where we encountered some challenges.

1. **Accounts payable**
 - (a) entered from statements rather than from invoices which resulted in duplicate entries
 - (b) entered into the band sub-ledger and also into the CMHC sub-ledger which resulted in expenses being recorded twice.

Recommendation: Additional training on entering invoices, maintaining payables and reconciling to supplier statements.

2. **Housing department**
 - (a) Expenses related to capital construction and repairs and maintenance greatly exceeded the available revenue resources.
 - (b) Expenses were not properly tracked between capital construction, band based capital and CMHC.

Recommendation: Invoices should be entered upon receipt and should be coded to the appropriate area. Project managers and program managers should be comparing actual expenditures to budgets on a routine basis to ensure projects and programs are operating within the restraints of available funding.

3. **Social Development**
 - (a) The program operates on the Ferrus system. The system generates a monthly accounting entry that should be recorded in the band's accounting system on a monthly basis.

Recommendation: Finance staff should be making the entries according to the generated report and then balances relating to advances, payables and the bank should be checked to ensure there are no discrepancies.

4. **Monies paid directly through PAGC to individuals that had to be accounted for in the First Nation's records. In the current year - \$150,659 (2015 - \$184,538).**
 - (a) We were unable to determine whether these transactions were subject to the same approval process as other band expenditures and PAGC provided no information as to the purpose of the expenditures.
 - i. Receipts and authorizations should be on file at the band office for these monies, in particular monies that are paid to an individual that are dispersed to others or used to purchase goods.
 - (b) In some instances, program dollars did not flow to the First Nation but were applied against amounts owed by the First Nation to PAGC.

- (c) These amounts are not confirmed until well after year end and at that point in time it is difficult to allocate those expenses to a program whose budget has already been expended.

Recommendation: The finance office should receive a monthly report from PAGC detailing all monies that they have coded to their receivable. The finance staff could then allocate those expenses to a program if applicable. The First Nation should limit this practice other than in extreme emergencies.

It was a pleasure to work with the staff and we thank you for the opportunity to provide audit services to the Cumberland House Cree Nation. If we can be of assistance in any other way, please do not hesitate to contact us.

This communication is prepared solely for the information of the Cumberland House Cree Nation and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

To ensure there is a clear understanding and record of these matters, we ask that you sign your acknowledgement in the spaces provided below and return one copy to us.

Should you wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

Yours truly,



Chalupiak & Associates

Acknowledgement

We have read and reviewed the above disclosures and understand and agree with the comments therein:

Signed on behalf of Cumberland House Cree Nation.



Date: Aug 22, 2016