



Indian and Northern  
Affairs Canada

Affaires indiennes  
et du Nord Canada

# **Income Assistance Program**

## **National Manual**

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## Introduction

- 0.0.1 Welcome to the *Income Assistance Program – National Manual*. The Income Assistance Program for First Nations is managed nationally by Indian and Northern Affairs Canada (INAC). Through various kinds of funding arrangements, the program provides income assistance to eligible final recipients living on reserves across Canada.

### 0.1 Purpose of the Manual

- 0.1.1 This manual sets out national standards and guidelines for INAC's Income Assistance Program. It is intended to be an authoritative guide to help INAC regional program staff develop and operate regional income assistance programs.
- 0.1.2 The manual is also intended to be a teaching document for new staff at both the national and regional levels.

### 0.2 Intended Audience

- 0.2.1 The primary intended users of the manual are regional INAC staff responsible for managing regional income assistance programs. However, the manual may also be useful to the following:
- national Income Assistance Program staff
  - Aboriginal Human Resource Development Agreement (AHRDA) holders
  - First Nation Income Assistance administrators
  - First Nation Chiefs and Councils
  - tribal councils
  - First Nation advocates
  - social assistance and healthcare agencies
  - provincial and territorial Income Assistance Program authorities
  - other interested members of the public
- 0.2.2 This manual, once approved, is intended to be a public document. It may be copied and distributed without restrictions.

## 0.3 What the Manual Covers

- 0.3.1 **Definitions** – defines key terms used in the Family Violence, Income Assistance, Assisted Living and National Child Benefit programs and their manuals.
- 0.3.2 **Chapter 1, Background** – covers important information on the program, such as current issues, program authorities, the principles on which the program is based, program objectives and the roles and responsibilities of those involved in managing the program.
- 0.3.3 **Chapter 2, Program Components** – covers the main areas of the Income Assistance Program, including basic needs, special needs, pre-employment needs, funeral needs and service delivery, as well as the eligibility requirements for the program.
- 0.3.4 **Chapter 3, Funding Arrangements** – covers the different types of funding arrangements, contribution and grant authorities, maximum program allocations and the basis and timing of payments.
- 0.3.5 **Chapter 4, Financial Administration** – covers aspects of the *Financial Administration Act* (FAA) and the Treasury Board Cash Management Policy that have a direct impact on managing the program and legislative exemptions.
- 0.3.6 **Chapter 5, Reporting and Compliance** – covers the measures required to demonstrate that the terms and conditions of agreements have been met and that INAC is paying for services that are within its authority, including invoicing, national reporting requirements, on-site reviews and remedial management.
- 0.3.7 **Annex** – includes resource information and links, a list of communities whose residents are all considered ordinarily resident on a reserve, the Income Assistance on site compliance review directive.



## 0.4 Relationship to Regional Manuals

- 0.4.1 This manual provides a national framework for the Income Assistance Program. It covers the broad standards and guidelines within which each INAC regional program must operate. However, because the program is guided by provincial or territorial rates and eligibility criteria, there are significant differences in how the program operates in each region. Each region's implementation of provincial or territorial standards and practices is subject to the availability of resources.
- 0.4.2 This manual sets broad national standards and guidelines while also providing sufficient flexibility to accommodate most regional variations and practices. Regions will need to develop their own regional manuals to interpret these national standards and guidelines within the context of their province or territory. Much of the procedural detail that regional staff will need to manage their programs will be found in the regional manuals rather than in this national manual.

## 0.5 Regional Exceptions

- 0.5.1 Ontario, Alberta and the Yukon have unique funding arrangements with INAC as a result of federal-provincial agreements.
- 0.5.2 **Ontario** – In Ontario, INAC provides funding under the 1965 *Indian Welfare Agreement*. INAC provides the municipal share of 20 percent to First Nations. Ontario provides the provincial share of 80 percent to First Nations. Ontario invoices INAC for the provincial share according to the provisions of the 1965 *Indian Welfare Agreement*.
- 0.5.3 **Alberta** – In Alberta, under the 1991 *Arrangement for the Funding and Administration of Social Services*, INAC reimburses the province for social services that Alberta delivers to First Nations ordinarily residing on reserves.
- 0.5.4 **Yukon** – The Yukon region is different than other regions as very few First Nations communities have a reserve as a land base. For the income assistance program, INAC funds income assistance for all status Indians and the Yukon territorial government (YTG) funds the income assistance for all non-Indians in the territory. For DIAND to

fund income assistance in the Yukon, there is no requirement for a recipient to be resident on reserve. A financial arrangement between the Yukon government and INAC confirms this process by setting out the responsibilities of each party and establishing a mechanism for the billing and reimbursement of services.

## **0.6 Revision Process**

- 0.6.1 As the Income Assistance Program evolves, changes to the manual will be required from time to time. As changes are made, this manual will be updated and reissued.
- 0.6.2 Print copies of this manual may not be up-to-date. Only the online version of the manual located on INAC's web site should be considered current. If in doubt, refer to the online manual.

## Definitions

**Note:** The definitions contained in this glossary apply only to the Income Assistance Program.

**Aboriginal peoples** – The descendants of the original inhabitants of North America. The Canadian Constitution recognizes three groups of Aboriginal people: Indians, Inuit and Métis. These are three separate peoples with unique heritages, languages, cultural practices and spiritual beliefs.

**Aboriginal self-government** – Governments designed, established and administered by Aboriginal peoples.

**Adult Care Program** – Former name of the Assisted Living Program.

**Age of majority** – The age at which a person is considered to be an adult under the laws of the relevant province or territory.

**Agency** – An authority, board, committee or other entity or, in the case of a tribal council, a member First Nation, authorized to act on behalf of the council.

**Alternate Funding Arrangement (AFA)** – Funding authority under which an eligible recipient receives multi-year funding in the form of a fixed allocation.

**Assisted Living Program** – Program to provide social support services to clients who require some type of help with their daily activities. Formerly called the Adult Care Program.

**Band** – A body of Indians as defined in the *Indian Act*.

**Band list** – A list of persons that is maintained under Section 8 of the *Indian Act* by a band or by INAC.

**Canada Child Tax Benefit (CCTB)** – The CCTB is the federal government's child benefit system, delivered through the income tax system. It includes two components: a non-taxable monthly payment for families with children under age 18, based on family net income

and the number of children; and the National Child Benefit Supplement, which provides additional support to 40 percent of Canadian families with low-incomes.

**Canada/First Nations Funding Agreement (CFNFA)** – A block-funded agreement that INAC enters into with a First Nation for up to five years. It can also include funding from other federal departments.

**Capital** – Funding to identify, plan, design, construct, renovate or purchase assets for education, housing or community infrastructure purposes, where the assets have a useful life of more than one year and are not held for re-sale.

**Cash Management Policy** – Section 7.6 of the *Treasury Board Policy on Transfer Payments*. A federal Treasury Board policy covering the disbursement of government funds. The authority for this policy comes from the *Financial Administration Act*.

**Catchment area** – The geographic area for which a recipient has been mandated to provide a program or service.

**Chief and Council** – The leadership of a band as defined in the *Indian Act*.

**Child** – A person under the age of majority in the relevant province or territory, including a legally adopted child and a child adopted according to First Nation custom.

**Children's Special Allowance** – A federal benefit paid on behalf of children who are in the care of provincial, territorial or First Nation child welfare authorities. It mirrors the maximum Canada Child Tax Benefit (CCTB) payments, including the National Child Benefit (NCB) Supplement.

**Compliance review** – A review of the administration, operations and costs of a program administered by a recipient to ensure that the program is delivered according to INAC's policies and Treasury Board and Cabinet authorities.

**Comprehensive Funding Arrangement (CFA)** – A one-year funding arrangement with an eligible recipient containing programs funded by contributions, flexible transfer payments or grants, where applicable.

**Continuum of care** – The range of holistic medical and social services for those who do not have, or who have lost, some capacity to care for themselves. These services often begin in the home and progress through a continuum up to the more intensive levels of care normally associated with institutional care, including palliative care.

**Contribution funding** – A conditional transfer payment for a specified purpose that must be accounted for or audited to determine that it follows the terms and conditions of payment. Unspent balances or disallowed costs are reimbursed to the Crown.

**Delivery standards** – In relation to a Canada/First Nations Funding Agreement (CFNFA), the minimum standards or requirements set out by a federal department in its schedule to the CFNFA.

**Dependant** – A person who relies on a final recipient for financial support, usually children, elderly parents, a spouse or a disabled family member.

**Depth of low income** – The additional amount of income a low-income family would need to reach a pre-determined line, such as Statistics Canada's Low-Income Cut-Offs (LICOs) or the Low-Income Measure (LIM).

**DIAND** – Department of Indian Affairs and Northern Development (hereinafter referred to as Indian and Northern Affairs Canada - INAC).

**Disabilities Initiative** – An INAC initiative to fund projects to improve the coordination and accessibility of existing disability programs and services on reserves, such as advocacy, public awareness and regional workshops.

**Disposable income** – The income left over after personal income taxes and other payroll deductions, such as Canada Pension Plan contributions and Employment Insurance premiums, have been paid.

**Earnings supplements** – Payments from governments to families that top up work-related earnings. Such payments are often designed for low-income working families. Different amounts are paid based on the number of children in a family.

**Family** – Refer to the relevant provincial or territorial legislation for this definition.

**Family violence** – A broad concept that includes the abuse of children, youth, spouses and elders. It includes physical assault, intimidation, mental or emotional abuse, sexual abuse, neglect, deprivation and financial exploitation.

**Family Violence Prevention Program** — Provides First Nations with funding for community-based projects to address social and health problems related to family violence. The program also allows First Nation people to establish and operate emergency shelters.

**Final recipient** – A person who ultimately receives program services or funds. See also *recipient*.

**Financial Administration Act** – Federal legislation covering the financial administration of the Government of Canada, the establishment and maintenance of the accounts of Canada and the control of Crown corporations.

**First Nation** – A *band* within the meaning of the *Indian Act*. May also refer to a collection of bands.

**Fiscal year** – For INAC, the one-year period beginning on April 1 of one calendar year and ending the following March 31.

**Flexible transfer payment (FTP)** – A conditional transfer payment made for a specified purpose where a fixed amount of funds is allocated to a recipient, usually on the basis of a pre-determined formula. Recipients are expected to manage within the fixed amount. Recipients may keep unspent balances as long as the program terms and conditions have been fulfilled. Surplus must be spent in an approved manner. Deficits are the responsibility of the recipient.

**Funding arrangement** – A contractual agreement signed by INAC and the funding recipient. For the purposes of this manual, this can be either a Canada/First Nations Funding Agreement (CFNFA) or a Comprehensive Funding Arrangement (CFA). The terms *funding agreement* and *funding arrangement* are used interchangeably.

**Funding authority** – A letter of decision from Treasury Board approving the funding of a program.

**Grant authority** – A transfer payment according to the eligible terms and conditions.

**Home support** – Component of the Assisted Living Program providing homemaker services to help people with their daily activities; thereby, contributing to their independence and to their ability to remain in their homes.

**Incidence of low income** – Proportion of families with children with annual income falling below a pre-determined line, such as Statistics Canada's Low-Income Cut-Offs, or the Low-Income Measure.

**Income assistance** – A needs-tested, last resort system of income support administered by First Nations and managed by INAC; previously referred to as *social assistance*.

**Indian** – “Indian” means a person who, pursuant to the *Indian Act* (R.S., 1985, c. 1-6, s.2), is registered as an Indian or is entitled to be registered as an Indian.

**Indian band** – A body of Indians as defined in the *Indian Act*. Also referred to as a *First Nation*.

**Indicators** – Statistics that show how well a program or service is performing.

**Institutional care** – Care provided in a group facility such as a personal care home.

**Inuit** – An Aboriginal people in northern Canada, who live above the tree line in the Northwest Territories and in Northern Quebec and Labrador. The word means *people* in the Inuit language.

**Market basket measure (MBM)** – Research tool for governments for analyzing low income, based on a specific basket of goods and services. The MBM identifies disposable income levels required to purchase this basket in various communities across Canada. Compared with Statistics Canada's Low-Income Cut-Offs and Low-Income Measure, the MBM is a more precise reflection of different living costs by geographic location.

**Member of a band** – A person registered as an *Indian* within the meaning of the *Indian Act* and whose name appears on the band list or who is entitled to have his or her name appear on a band list.

**Memorandum of Understanding (MOU)** – A formal document committing two or more parties to an undertaking. It sets out its general principles, but falls short of being a detailed contract or agreement.

**Memorandum to Cabinet (MC)** – A proposal addressed to Cabinet seeking to obtain or change policy authorities for operating programs or services.

**Monthly expenditure plan** – A statement setting out and distributing the annual budget for programs and services according to the recipient's estimated monthly cash requirement. This plan is attached to the funding arrangement.

**National Aboriginal Circle Against Family Violence** – A consultative group of First Nation emergency shelter directors, who work to reduce family violence in Aboriginal communities by relying on Aboriginal knowledge and intervention to prevent family violence.

**National Child Benefit (NCB)** – A national program introduced in 1998 following an agreement by federal, provincial and territorial ministers responsible for social services and First Nations to work together to deal with child poverty in Canada. The objectives of the NCB are to help prevent and reduce the depth of child poverty; to provide incentives to work by ensuring that low-income families with children will always be better off as a result of working; and to reduce overlap and duplication through the simplified administration of benefits for children.

**NCB Supplement** – A federal contribution that provides additional income support to all low-income families with children whose family income is not more than the maximum allowable. Payments are made monthly and adjusted each July to reflect changing family circumstances. A component of the Canada Child Tax Benefit.

**NCBR Initiative** – An initiative that provides funds for reinvestment projects that address the objectives of the National Child Benefit (NCB). The funds are provided through a recovery mechanism that allows the income assistance administrative body to reduce income assistance payments by the same amount as the NCB Supplement increase.



**NCBR Project** – In accordance with the core objectives of the NCB, the savings from the adjustment to income assistance are reinvested in new or improved benefits and services for low-income families with children living on reserve.

**Ordinary Resident on Reserve** - (See 2.3 under eligibility requirements).

**Policy authority** – General policy authority obtained from Cabinet by submitting a Memorandum to Cabinet (MC) that provides instructions and advises on what has been authorized. See also *funding authority*.

**Program authorities** – Cabinet and Treasury Board decisions that govern a program.

**Project Haven shelters** – A federal initiative to provide emergency shelters for women and children (former name for Emergency Shelters).

**Recipient** – An entity, usually a First Nation Chief and Council, that receives funding for programs or services it administers on behalf of *final recipients*.

**Reference province or territory** – The province or territory within which a specified recipient is located.

**Reinvestment models** – Methods used by provinces and territories to adjust their income assistance rates, based on the NCB Supplement received. They include the income assistance offset model, the integrated child benefit model with adjustment and the integrated child benefit model without adjustment.

**Remedial management plan** – A plan developed by the recipient and approved by the Minister that reflects decisions and measures that are necessary to remedy a default under a funding arrangement.

**Reserve** – A tract of land, the legal title to which is vested in Her Majesty, which has been set apart for the use and benefit of a band, as defined in the *Indian Act*.

**Social Development Program Management Infrastructure Initiative (SDPMI)** – INAC program to identify models of effective management and accountability for social development programs that

will lead to more effective, cost-efficient and accountable social development programming on reserves.

**Stacking provisions** – Provisions within a funding agreement that focus on duplicate sources of program funding.

**Surplus** – Funds provided by the Minister and other sources that exceed eligible expenditures after the recipient has fulfilled all program terms and conditions.

**Survey of Labour and Income Dynamics (SLID)** – A longitudinal labour market and income survey to study changes over time in Canadians' labour force status and economic well-being. Not done on reserves, in the North or in remote regions.

**Targeted funding** – Funding that can be transferred to the recipient under a Canada/First Nations Funding Agreement to provide targeted programs.

**Targeted programs** – A time-limited and specific undertaking as set out in the Canada/First Nations Funding Agreement.

**Third party delivery** – (See 3.2.9 under funding guidelines).

**Third party manager** - (See 1.6.2, bullets 7&8 under INAC Headquarters).

**Transfer payments** – Payments made from budgetary appropriations for which the Crown receives no goods or services.

**Tribal council** – An organization established by a number of First Nations with common interests who voluntarily join together to provide advisory or program services to member First Nations.

**Welfare wall** – A term used to describe the barriers that can make it less financially attractive for people to move from income assistance to the labour market because they would lose income or services.

**Working Income Supplement (WIS)** – A defunct federal program that no longer exists. It was in effect before the NCB. WIS provided income support to supplement the earnings of low-income working families.

# 1 Backgrounder

## 1.1 History

- 1.1.1 **1950s** – INAC has been involved in delivering income assistance to First Nations people on reserves since the early 1950s. In 1950, the Joint Committee of the Senate and the House of Commons on Indian Affairs reported that First Nations peoples on reserves were excluded from many federal social programs and most provincial and territorial services. It recommended that provinces and territories be more involved in delivering and funding social services to First Nations. Throughout the 1950s, little progress was made toward this goal.
- 1.1.2 **1960s** – Through the early 1960s, the federal, provincial, and territorial governments failed to reach agreements for sharing the costs of delivering social services to First Nations people, except for Ontario. This led INAC to adopt an income assistance policy that did not involve provincial or territorial participation. In 1964, Treasury Board authorized INAC to administer income assistance at provincial or territorial rates and according to provincial or territorial eligibility requirements.
- 1.1.3 **1965** – The *Indian Welfare Agreement* was signed with the Province of Ontario. Under the agreement, INAC provides the municipal share of 20 percent to First Nations. Ontario provides the provincial share of 80 percent to First Nations. Ontario invoices INAC for the provincial share according to the provisions of the agreement.
- 1.1.4 **1970s** – Throughout the 1970s, INAC decreased attempts to reach cost-sharing agreements with the provinces and territories and increased attempts to pass on income assistance programming to First Nations. In 1972, the Work Opportunity Program authorized using income assistance entitlements to fund First Nations' job creation projects.
- 1.1.5 In 1976, a Cabinet committee on social policy concluded that First Nations people had poor access to social, political and economic resources, and that the lack of coordination and cooperation between the federal, provincial and territorial governments was inhibiting progress in these areas.

- 1.1.6 **1980s** – By the 1980s, federal policy was directed towards self-government negotiations and agreements. In 1985, a Memorandum to Cabinet suggested that the federal government negotiate with the provinces and territories to have income assistance programs administered by local First Nations authorities. Alternate Funding Arrangements in 1986 and Flexible Transfer Payment Agreements in 1989 affirmed the idea of transferring program administration to qualified First Nations.
- 1.1.7 **1990s** – The 1990s were dominated by administrative, legal and financial concerns. INAC reviewed accountability and compliance frameworks in relation to income assistance provided to First Nations. Actions were taken to increase the autonomy of First Nations.
- 1.1.8 The research of the Royal Commission on Aboriginal Peoples (RCAP) throughout the 1990s added significantly to understanding First Nations' goals for social development. First Nations objected to their lack of inclusion as primary partners in social policy development given the direct impact it had on their governments and people.
- 1.1.9 In 1998, the federal government responded to the RCAP recommendations with *Gathering Strength: Canada's Aboriginal Action Plan*, which laid the foundation for the future direction of the INAC-First Nations relationship and for including First Nations in social policy development.
- 1.1.10 Under *Gathering Strength*, funding was committed through the Income Security Reform (ISR) initiative to test and recommend fundamental changes to the system and to develop a redesigned national policy framework for income assistance. Over the five year span that the ISR was in existence, community demonstration projects were the foundation for this work. Testing was conducted on innovative approaches for replacing the passive delivery of income assistance with a program that provides income support with a greater access to skills development, training and employment opportunities. Even though the initiative has now ended, the principles developed over those five years continue to influence and guide the work conducted on the Income Assistance Program.
- 1.1.11 **2003** – In September 2003, Treasury Board issued the current Income Assistance funding authority. For more information, see *Authorities*.
- 1.1.12 The authorities issued by Treasury Board in September 2003 were in the form of a funded submission, which means that the changes requested and approved are to be managed from within the current

allocation. If they cannot be managed from within the current allocation, they will have to be deferred until resources are available in the future.

- 1.1.13 INAC's current involvement in income assistance activities is primarily to provide funding to First Nations, who in turn deliver programs and services to community members. INAC also provides program policy guidance.
- 1.1.14 INAC delivers the Income Assistance Program as a matter of policy, not legislation, and follows the eligibility requirements and rates of provincial and territorial general assistance programs. INAC may directly deliver the Income Assistance Program, but the program delivery has been largely passed on to First Nations Chiefs and Councils.

## 1.2 Authorities

### **Process**

- 1.2.1 The Income Assistance Program is provided under separate policy authority and funding authority. These authorities are derived through the following process.
- 1.2.2 **Policy Authority** – General policy authorities come from Cabinet through the process of submitting a Memorandum to Cabinet (MC). The MC is either funded (within current allocations) or unfunded (new money required). The Memorandum requests general permission to initiate or continue certain practices and outlines the broad terms and conditions under which the program will operate. If Cabinet agrees, a letter is issued giving INAC instructions and advising on what has been authorized. This then becomes the *policy authority*.
- 1.2.3 **Program Authority** – Once Cabinet has agreed to the general parameters of the program, a submission is prepared and submitted to Treasury Board. This submission is more specific and outlines how the money is to be spent if it is a funded proposal.
- 1.2.4 If it is an unfunded proposal, it seeks new money from Treasury Board to initiate the new programming that has previously been approved by Cabinet. If Treasury Board approves, new money is provided for delivery of the program. If Treasury Board does not approve, authority remains for that aspect of the program, previously approved by

Cabinet, but it may not be implemented. It becomes or remains an unfunded program. The letter of decision from Treasury Board, then, becomes the program *funding authority*.

## 1.3 Legal Position

- 1.3.1 Section 91(24) of the *Constitution Act, 1867* empowers Canada to enact legislation in respect to Indians and lands reserved for Indians. To date, Canada has chosen not to exercise this discretionary power in respect to legislation governing income assistance programs and services.
- 1.3.2 Section 92 of the *Constitution Act, 1867* empowers provincial and territorial governments to provide the income assistance program and services.
- 1.3.3 Section 88 of the *Indian Act* (quoted below) states that laws of general application apply on reserves unless and to the extent that such laws conflict with the *Indian Act* or with an existing treaty. Accordingly, under Section 88, First Nation people on reserves fall under the income assistance legislation of the reference province or territory because these are laws of general application.
- 1.3.4 “88. *Subject to the terms of any treaty and any other Act of Parliament, all laws of general application from time to time in force in any province are applicable to and in the respect of Indians in the province, except to the extent that those laws are inconsistent with this Act or any order, rule, regulation or by-law made thereunder, and except to the extent that those laws make provision for any matter for which provision is made by or under this Act.*”

## 1.4 Program Principles

- 1.4.1 INAC has adopted the following general principles in its approach to income assistance policy:
- delivery of income assistance at standards reasonably comparable to the reference province or territory of residence
  - recipients of income assistance must be ordinarily resident on a reserve (for more information, see *Ordinarily Resident on a Reserve* in Chapter 2 – *Program Components*)
- 1.4.2 The Income Assistance Program is only one of a number of income support programs that are available to First Nations. The Income Assistance Program should be considered the last rather than the first resource. Where appropriate, the program is delivered together with a range of programs and services related to economic development, health, social services, education and employment.

## 1.5 Program Objectives

- 1.5.1 The objectives of the Income Assistance Program are to:
- in the case of contributions, provide support for the basic and special assistance needs of indigent residents of First Nation reserves and their dependants
  - in the case of grants, provide financial assistance to meet basic daily living requirements as per our program terms and conditions.
- 1.5.2 Following the terms and conditions from Treasury Board, all income assistance programs must be delivered at standards reasonably comparable to the reference province or territory of residence. The anticipated results of these programs are to:
- alleviate hardship
  - maintain functional independence on reserves to the standards of the reference province or territory
  - in the case of contributions, encourage greater self-sufficiency for First Nations individuals and communities
  - in the case of grants, achieve levels of well-being reasonably comparable to the standards of the reference province or territory

## 1.6 Roles and Responsibilities

- 1.6.1 Managing the Income Assistance Program depends on a clear understanding of the roles and responsibilities of the various parties, which include INAC headquarters, INAC regions and First Nation recipients.

### ***INAC Headquarters***

- 1.6.2 INAC headquarters has the following roles and responsibilities:
- through the regions, provide funding for recipients to administer the program
  - lead in developing policy
  - assess the requirement for appropriate changes to the income assistance policy or its program design, delivery or control mechanisms
  - oversee program issues and help regions and First Nations to find solutions to problems arising in the regions
  - provide leadership in data collection activities and ensure that reporting takes place in an orderly fashion
  - interpret policy and help regions clarify policy to recipients.
  - The terms and conditions of the Funding Arrangement set out situations which constitute a default and remedies that may be taken by the Minister. The Minister's intervention, in the form of an appointment of a Third Party Manager ("TPM"), is taken in order to protect public funds and the delivery of one or all Essential Services and to maintain Ministerial accountability.
  - The appointment of a TPM is considered a high a level of Intervention and a temporary situation while the Council addresses/remedies the difficult/default under the Funding Arrangement or executes a new Funding Arrangement [for those situations when a TPM is appointed because no Funding Arrangement has been signed by the Council]. Monitoring of the TPM should be done in accordance with the process set out in the Intervention Policy. For more information on the policy of a Third Party Manager appointment, see *Financial Policies and Procedures Manual, part 5, transfer payments, chapter 5.8, Funding Arrangements: Third Party Manager, sections 6.1 to 6.3.*



### **INAC Regions**

1.6.3 INAC regions have the following roles and responsibilities:

- provide funding and negotiate financial arrangements with First Nations to help implement and maintain the program
- interface with recipients, INAC headquarters and provinces or territories
- manage the program and funding on behalf of Canada and ensure that authorities are followed
- monitor, collect and assess both the financial and program performance results of individual recipients including collecting data that enables planned outcomes to be measured as well as conducting a formal review of the recipient's audited financial statements and, where required, taking remedial actions to ensure compliance with the program terms and conditions or other departmental requirements
- demonstrate to headquarters that the program is operating according to authorities and Canada's financial management requirements
- inform INAC headquarters about issues that could potentially affect national policy and advise on any changes to provincial or territorial legislation
- provide various technical, professional and capacity-building supports that are negotiated and agreed to by First Nations
- interpret and clarify policy to recipients and provinces or territories

### **Recipients**

1.6.4 Recipients have the following roles and responsibilities:

- administer the Income Assistance Program according to INAC policy and procedures that are reasonably comparable to the provincial or territorial legislation and standards and adhere to INAC authorities for Income Assistance
- follow the terms and conditions and report on expenditures according to the Funding Arrangement
- maintain records on their operations as required in agreements
- involve INAC regional offices and, where applicable, the host province or territory in delivering the program
- involve the communities within their respective catchment areas so that mandated services are provided as transparently as possible

***Provinces and Territories***

- 1.6.5 Although the provincial and territorial governments have no direct roles or responsibilities in the implementation of the federal Income Assistance Program, the terms and conditions from Treasury Board state that INAC must deliver the Income Assistance Program at standards reasonably comparable to the host province or territory. As a result, these standards are taken from the provincial or territorial income assistance legislation.

## 2 Program Components

- 2.0.1 INAC delivers the Income Assistance Program with the objective of providing all eligible final recipients on reserves with the means to meet basic needs for food, clothing and shelter. INAC also funds special needs allowances for goods and services that are essential to the physical or social well-being of a final recipient, but are not included as items of basic need. Amounts payable are done so according to the rates and eligibility requirements of the reference province or territory.
- 2.0.2 The sections below give examples of basic and special needs and of service delivery activities that financial assistance may be provided for. Due to regional differences and limited resources, not all of the special needs and activities listed may be available in every province or territory.
- 2.0.3 This section describes the requirements that recipients and final recipients must meet to be eligible for funding for income assistance programs and services.

### 2.1 Basic and Special Needs

- 2.1.1 Indigent residents may require financial assistance to cover basic needs such as the following:
- shelter
  - food
  - clothing

Financial assistance may be required to cover special needs that may include:

- personal incidentals
- special diets
- essential household items
- guide dogs
- special transportation and moving costs
- child care and accommodation, transportation and equipment costs related to employment and training
- children's winter and school clothing
- funerals and burials

- other items identified in the relevant provincial or territorial legislation

Financial assistance may also be provided to support pre-employment activities that may include:

- pre-employment assistance such as financial support for employment- and training-related child care and accommodation, transportation and equipment costs
- employment-related relocation costs, basic work experience and training in essential skills
- counselling and life skills
- employability counselling and job-seeking skills
- transfers of income assistance entitlements to training and work experience projects

## **2.2 Service Delivery**

2.2.1 INAC provides funding to recipients and, in some regions, the host province or territory to cover service delivery, which may include the following:

- administrative expenses, including the following:
  - salaries
  - travel
  - transportation
  - training for professional or para-professional administrators and case workers
  - related office costs
- activities related to collecting and managing data required for program monitoring, planning, reporting and evaluation, and maintaining and upgrading systems
- developing and implementing case management systems, including the following:
  - structured client assessment
  - referral
  - job placement
  - reassessment and counselling
  - training
  - professional support for administrators and case managers

- developing operational policy and related documents and delivery options to encourage local integration of both of the following:
  - income support and labour market training (such as Aboriginal Human Resources Development Agreement holders)
  - where possible, education, health and social services needed to effectively deliver and administer the Income Assistance Program

## 2.3 Eligibility Requirements

### ***Ordinarily Resident on a Reserve***

- 2.3.1 To be eligible for income assistance, individuals must be *ordinarily resident on a reserve*, which means that they either:
- usually live at a civic address on a reserve
  - in the case of children in joint custody, live more than 50 percent of the time on a reserve
  - stay on the reserve and have no usual home elsewhere
- 2.3.2 Individuals, who are off a reserve for the primary purpose of any of the following, continue to be considered ordinarily resident:
- obtaining care not available on the reserve
  - accessing social services because no reasonably comparable service is available on the reserve
- 2.3.3 For a list of communities where all residents are considered to be ordinarily resident on a reserve, see Annex B.
- 2.3.4 **Students** – Students are persons who meet both of the following criteria:
- they are registered full-time in a post-secondary education or training program
  - they are receiving federal, band or Aboriginal organization education or training support funding

2.3.5 Students continue to be considered ordinarily resident on a reserve if any of the following apply:

- they maintain a residence on the reserve
- they are a member of a family that maintains a residence on the reserve
- they return to live on the reserve with parents, guardians, caregivers or maintainers during the year, even if they live elsewhere while attending school or working at a temporary job

2.3.6 **Children Out of the Parental Home (COPH)** - COPH is a short term private arrangement between the parent of a child and a third party.

***Recipients***

2.3.7 To be eligible to administer the Income Assistance Program, recipients must meet all of the following criteria:

- provide audit statements
- provide the Income Assistance Program according to provincial or territorial income assistance rates and eligibility criteria
- conduct compliance reviews
- deliver the program following the INAC National and Regional manuals
- provide a redress mechanism
- provide periodic reports as required by the funding agreement

***Final Recipients***

2.3.8 To be eligible for income assistance, final recipients must meet all of the following criteria:

- be ordinarily resident on a reserve
- be in need of basic or special financial assistance, as defined by the province or territory of residence and confirmed by an assessment
- have a demonstrated requirement for income assistance programs and services support and no other source of funding to meet such needs as defined by the province or territory.

**Funerals and Burials – Ontario Only**

- 2.3.9 In Ontario, deceased persons who were not receiving income assistance may be eligible for funding for funeral and burial services and repatriation of body, if they meet all of the following criteria:
- they were ordinarily resident on a reserve; they were ineligible for provincial or territorial assistance programs (that is, they were not receiving income assistance)
  - they had a demonstrated requirement for financial assistance and no other source of funding to meet this need (as determined by a financial needs assessment according to the INAC regional manuals and guidelines).
- 2.3.10 Recipients are required to demonstrate the eligibility of final recipients for funeral and burial services. For the purposes of determining eligibility, if the deceased was the head of household, the deceased is considered to be the final recipient. If the deceased was a dependant, the head of household where the deceased lived is considered to be the final recipient.





## 3 Funding Arrangements

### 3.1 Overview of Funding Arrangements

- 3.1.1 INAC has developed two types of generic funding arrangements to use with First Nations that have not entered into their own self-government agreements: Comprehensive Funding Arrangements (CFAs) and Canada/First Nations Funding Agreements (CFNFAs). Any changes to the text of the arrangements must be approved by INAC headquarters.
- 3.1.2 All INAC programs are covered under a single funding arrangement with a First Nation. Under the Income Assistance Program, each First Nation will have either one or the other type of arrangement in place.
- 3.1.3 **Comprehensive Funding Arrangement (CFA)** – This is a program-budgeted funding arrangement that INAC enters into with First Nations for one year. CFAs contain programs funded via:
- **Contributions** – reimbursement of eligible costs
  - **Flexible Transfer Payments (FTP)** – based on a formula (surpluses can be kept as long as the terms and conditions have been met)
  - **Grants** – unconditional
- 3.1.4 **Canada/First Nations Funding Agreement (CFNFA)** – This is a block-funded agreement that INAC enters into with a First Nation for up to five years. It can include funding from other federal departments. This type of agreement is also called an *Alternative Funding Arrangement* or *Financial Transfer Agreement*. The CFNFA agreement contains a common set of funding terms and conditions in the main body of the agreement. The terms and conditions specific to each federal department are attached as schedules to the CFNFA.
- 3.1.5 The CFNFA is more flexible than the CFA and allows longer-term planning. The CFNFA defines minimum standards for a local accountability framework to give recipients increased authority over program design, delivery and managing funds. First Nations can decide how to use the funds and may redesign programs to meet specific community needs, as long as they meet minimum delivery standards. Minimum standards ensure that a guaranteed level of service is provided.

- 3.1.6 The CFNFA encourages creative and innovative ways of providing programming because First Nations can use any money saved on other priorities within the community.

## 3.2 Funding Authority

- 3.2.1 A funding *arrangement* is the contractual agreement signed between INAC and the recipient. A funding authority is the *rules* established by Treasury Board that INAC must follow when funding a program or service.

### ***Eligible Recipients for Contribution Agreements***

- 3.2.2 INAC arranges for the administration of funding for the Income Assistance Program with the Chiefs and Councils of First Nation bands. Various funding options are available.
- 3.2.3 Funding for the Income Assistance Program may be directed to either of the following:
- First Nation organizations designated by Chiefs and Councils (bands or settlements, tribal councils or political or treaty organizations)
  - public or private organizations engaged by or on behalf of First Nations communities to:
    - provide specialized income support programs and services
    - administer program funding (private firms or organizations retained as co-managers or third-party managers designated by INAC)

### ***Grant, Contribution and Flexible Transfer Payment***

- 3.2.4 A grant is based on meeting eligibility criteria in support of the achievement of a specific objective. A contribution is based on reimbursing for specific expenditures. A Flexible Transfer Payment is based on a fixed amount rather than the reimbursement of eligible expenses. As long as recipients meet the minimum program requirements, recipients can keep any surpluses. However, they must absorb any deficits if there are cost overruns.

- 3.2.5 The recipient is accountable for providing the products or services specified in the Funding Arrangement. Program-specific reports are required during the year and at the end of the year.

**Funding Guidelines**

- 3.2.6 **Stacking provisions** – Stacking provisions apply to payments to recipients for the delivering of income assistance programs and services to eligible recipients normally resident on a reserve. Recipients for this funding will be required, as a condition in the contribution agreement, to declare any and all prospective sources of funding that are intended to be used by the eligible recipient to provide income assistance programs and services. Provision for repayment must be included in the Funding Agreement.

- 3.2.7 A recipient must reimburse to the Minister a share of the surplus that is proportional to INAC's contribution to that project when both of the following apply:

- a single recipient receives total funding over \$100,000 from more than one source
- more funding is provided from all sources than was anticipated or actually required

- 3.2.8 **Third party delivery** – Where the recipient delegates authority or transfers program funding to an agency (i.e., an authority, board, committee or other entity authorized to act on behalf of the recipient). The recipient shall remain liable to the Minister for the performance of its obligations under the funding agreement. Neither the objectives of the programs nor the expectations of transparent, fair and equitable service may be compromised by this delegation or transfer of funds.

- 3.2.9 **Application Requirements** – Before entering into a Funding Arrangement, INAC must confirm its authorities to enter into an agreement with the recipient and its ability to fund the proposed activities. Annual funding levels are determined on historical trends. Funding is monitored and adjustments (up or down) are made based on verified claims and allowable expenditures, as described in regional manuals.

### **Grant Authority**

- 3.2.10 The Income Assistance Program is an essential social service funded by INAC for First Nation communities. Wherever possible, INAC arranges for funding these services to be administered with the Chiefs and Councils of First Nation bands recognized by the Minister of Indian and Northern Affairs Canada Development. In situations where Chiefs and Councils choose to continue having INAC deliver services or administer some components of program funding themselves, INAC may directly pay grants to eligible final recipients.
- 3.2.11 **Stacking Provisions** – These provisions do not apply because INAC is the only source of funding for these payments.
- 3.2.12 **Third-party Delivery** – Third-party provisions do not apply to grant authority. Payments are made directly to final recipients who cannot transfer nor delegate funds to other agents.
- 3.2.13 **Application Requirements** – Where Chief and Council does not administer the Income Assistance Program, INAC regional offices accept applications directly from residents of those communities. Final recipients (or their guardians or maintainers on their behalf) are required to demonstrate or confirm their eligibility for funding. For specific requirements, see Chapter 2 – *Program Components*).
- 3.2.14 Final recipients must also meet the qualifying requirements of the province or territory, including an assessment covering all of the following:
- financial need
  - employability
  - family composition and age
  - financial resources available to the final recipient's household
- 3.2.15 Final recipients must also confirm that they do not receive any income assistance from any other source.

### 3.3 Allocations

- 3.3.1 Program funds are allocated to the regions based on the national methodology. Each region is responsible for managing this budget and prioritizing how funds are allocated. If a request for funds cannot be made within the current budget, the request must be deferred until resources become available.

#### ***Contribution Funding***

- 3.3.2 **Maximum Amounts** – The maximum amounts payable under the contribution authority are based on the service standards and rate schedules of the province or territory of residence. The maximum contribution amounts with a single recipient is \$16 million. Maximum amounts payable may be increased annually to meet actual needs by up to two percent.
- 3.3.3 **Basic and Special Needs** – In 2003-2004, payments to final recipients are limited to covering the expected direct costs, as outlined in the approved applications, up to \$50,000 per final recipient per year for the costs of basic, special and pre-employment needs as listed in eligible expenditures.
- 3.3.4 **Funerals and Burials** – For funerals and burials, the maximum amounts payable under this contribution authority are based on the service standards and rates set out in the regional manual. Payments are limited to covering the expected direct costs, as outlined in the approved applications for funeral and burial assistance: up to \$3,500 per final recipient for funeral and burial expenses and up to \$6,000 for repatriation of the body, if required.
- 3.3.5 **Service Delivery** – Funding arrangements may provide up to \$650,000 per recipient per year to cover the costs of delivering both the Income Assistance and Assisted Living programs and services.
- 3.3.6 **Repayable Contributions** – This provision does not apply to the Income Assistance Program because no business will receive contributions that are intended to generate profits or to increase the value of the business.

3.3.7 **Due Diligence** – INAC must have procedures and resources in place for ensuring due diligence in:

- approving contributions
- verifying eligibility and entitlement
- managing and administering the program

3.3.8 **Approval** – Authority to sign and amend funding arrangements is delegated to directors responsible for these programs.

**Grant Authority**

3.3.9 **Maximum Amounts Payable** – The maximum amounts payable under the grant authority are based on the service standards and rate schedules of the reference province or territory.

3.3.10 In 2003-2004, payments are limited to covering the expected direct costs, as outlined in the approved applications, up to \$50,000 per final recipient per year for the costs of basic, special and pre-employment needs as listed in eligible expenditures.

3.3.11 Maximum amounts payable may be increased annually to meet actual needs by up to two percent.

3.3.12 **Repayable Contributions** – This provision does not apply to class grants.

3.3.13 **Due Diligence** – INAC must have procedures and resources in place for ensuring due diligence in:

- verifying eligibility and entitlement
- managing and administering the program
- approving grant payments

3.3.14 **Approval of Applications** – Responsibility for approving applications is delegated to INAC directors of regional funding services.

### 3.4 Basis and Timing of Payments

- 3.4.1 **Contributions** – Payments are made monthly based on a cash flow forecast from the recipient or by reimbursing eligible expenditures. Where advance payments are necessary, they are limited to the immediate cash requirements of the recipient and must not exceed the payment frequency set out in the provisions of the Treasury Board Policy on Transfer Payments (see Section 7.6, Cash Management Policy: Installments of Grants and Advance Payments of Contributions).
- 3.4.2 **Grants** – Final recipients are required to reapply (or confirm their eligibility) monthly for income assistance. Payments are made monthly.

### 3.5 Regional Exceptions

- 3.5.1 The following areas have unique funding arrangements. Further information will be available in the regional manuals.
- 3.5.2 **Ontario** – In Ontario, INAC provides funding under the 1965 *Indian Welfare Agreement*. INAC provides the municipal share of 20 percent to First Nations. Ontario provides the provincial share of 80 percent to First Nations. Ontario invoices INAC for the provincial share according to the provisions of the 1965 *Indian Welfare Agreement*. The parties may agree to amend the schedule to the agreement. Amendments to the agreement itself require an Order in Council.
- 3.5.3 The maximum amount of funding for a federal-provincial cost-sharing arrangement to provide services to First Nations in Ontario is \$240 million. Ontario invoices INAC for the provincial share according to the agreement's provisions. Ontario must provide a cash flow forecast for the coming fiscal year. Once the estimated budget is approved, INAC pays a one-month cash advance to cover immediate requirements at the beginning of the fiscal year. After that, it pays monthly installments. Each advance includes a 10 percent holdback, which accumulates and is paid out after the annual provincial audit of the program is completed.

- 3.5.4 **Alberta** – In Alberta, under the 1991 *Arrangement for the Funding and Administration of Social Services*, INAC reimburses the province for social services that Alberta delivers to First Nations ordinarily resident on a reserve. The agreement may be amended from time to time by the mutual consent, in writing, of the authorized representatives of Canada and Alberta.
- 3.5.5 Alberta must provide a budget of projected expenses before the start of the fiscal year. Payments are made to the province monthly, based on invoices submitted to INAC.
- 3.5.6 **Yukon** – Yukon and INAC have entered into an agreement concerning funding of status and non-status Indians. INAC funds status Indians and the Yukon funds non-status Indians. Also, all residents in the Yukon are considered to be ordinarily resident on a reserve.



## 4 Financial Administration

- 4.0.1 As well as the authorities received from Cabinet and Treasury Board, the operation of the Income Assistance Program is governed by the terms of the *Financial Administration Act* (FAA) and the *Treasury Board Policy on Transfer Payment* (PTP).
- 4.0.2 This section of the manual covers only those aspects of the FAA and the PTP that have a direct impact on managing the program. Other sections may also apply. These impacts reinforce the need for compliance mechanisms.

**Note:** This is a summary only of a limited number of sections of the FAA and PTP. Managers who are uncertain about their financial responsibilities should refer to the FAA and Cash Management Policy (CMP) and not rely exclusively on this summary.

### 4.1 Financial Administration Act

- 4.1.1 This section of the manual focuses on Sections 32, 33 and 34 of the FAA, which have the most direct impact on the operation of the Income Assistance Program. It reinforces the need for adequate compliance being performed in a timely fashion. Under Sections 32 and 34, the “responsibility centre manager” (RCM) may be the same or different manager, depending on the region’s organizational structure.
- 4.1.2 **Section 32 of the FAA** requires that no contract or arrangement requiring a payment should be entered into unless it is certified that there is an appropriation from Parliament that the payment can be charged to. As well, enough funds, which are not earmarked for other costs, must be available to cover the expenditures. A RCM is designated and is responsible for ensuring that these conditions are met and that an approved authority exists for the activity before a commitment is made to fund a program or service. Once the RCM has signed under Section 32, the RCM may be held accountable if sufficient funds are not available or if an authority does not exist.

- 4.1.3 **Section 34 of the FAA** requires that an expenditure cannot be authorized until it has been verified that the goods and services have been received. For the Income Assistance Program, this requires that:
- invoices that are reimbursable as a contribution must be reconciled
  - the costs must be verified to confirm they are for final recipients, are within the approved authorities and are in line with provincial or territorial rates

When the RCM signs the document, the RCM is certifying that this reconciliation and verification have been done and the goods and services have been received. If it is subsequently found that the expenses were not verified, or that improper charges have been made, the RCM may be in breach of the FAA.

- 4.1.4 **Section 33 of the FAA** provides for authorizing payment to the recipient. The financial officer receives the requisition signed by the RCM under Sections 32 and 34 verifying that the money is available, that the matter is within the approved authorities and that the goods and services have been received. The financial officer then signs the requisition and sends it for payment.
- 4.1.5 **The implications arising from Section 34** must be seriously considered because the only way that the requirements of Section 34 can be met for reimbursable contribution payments is if compliance reviews are done monthly (this is the only way to verify that goods and services have been received). Reimbursement simply on the basis of receiving an invoice is contrary to Section 34 and could put the signing RCM in breach of the FAA.

## 4.2 Cash Management Policy (CMP)

- 4.2.1 This section focuses on the *Treasury Board Policy on Transfer Payments*, Section 7.6, Cash Management Policy: Installments of Grants and Advance Payments of Contributions, and on Appendix B, Section ii of the policy, “Advance Payment of Contributions.” These sections are relevant because they outline the policy on advance payments.
- 4.2.2 **Principle of Minimum Level of Funding** – CFAs and CFNFAs are based on Treasury Board-approved terms and conditions for the Income Assistance Program. These terms and conditions are based on the principle that transfer payment assistance is provided for projects

only at the minimum level needed to achieve the stated program objectives and expected results.

- 4.2.3 **Advance Payments** – Funding is paid on the basis of achieving performance objectives set out in the CFA or CFNFA. However, advance payments of the government’s share of allowable expenses may be made if the payment is essential to achieve program objectives and if the agreement specifically provides for the payment.
- 4.2.4 Under the CMP, INAC must base any provision for advance payments on sensible cash management principles. For example, the amount of each advance should be limited to the immediate cash requirements based on a monthly cash flow forecast from the recipient. The advance must also take into account any outstanding advances. To reduce the risk of overpayments, funds should only be paid after a satisfactory accounting of the amount by the recipient. Regions must verify that the costs are within authorities and comply with the agreements.
- 4.2.5 **Limitation on Amount of Advance Payment** – The Cash Management Policy limits the amount that can be advanced. For recipients in an agreement of four months or longer, an advance must not be more than the value of the first quarter of the total value of the annual amount of the funding agreement.

### 4.3 Exemptions

- 4.3.1 **Holdback Provisions** – When the recipient is a First Nation, INAC has an exemption to the requirements in Sections 7.6.3 and 7.6.4 of the *Treasury Board Policy on Transfer Payments* on holdback provisions. Amounts for income assistance to residents on reserves are a major component of an ongoing funding relationship between INAC and First Nations. The fact that the funding relationship is ongoing motivates recipients to account fully for all costs. It also helps reduce the risk that the recipient might not use the funds for the purpose they were contributed toward. Therefore, CFAs and CFNFAs do not have explicit holdback provisions.
- 4.3.2 Instead, First Nation recipients are advised that “funding otherwise payable under this arrangement may be withheld by the Minister, if the Audit and reports are not provided by the Council to the Minister as required under this agreement or its predecessor.”

- 4.3.3 **Funding Level Changes** – When the recipient is a First Nation, INAC has an exemption to the provisions in Section 7.3.6 of the *Treasury Board Policy on Transfer Payments* in case Parliament changes departmental funding levels. Funding Agreements already contain a clause that any payment made requires an appropriation by Parliament for the fiscal year in which the payment is made. This clause is based on Section 40 of the *Financial Administration Act*. This section also provides sufficient authority for INAC to reduce or cancel agreements and payments if Parliament changes departmental funding levels.

## 5 Reporting and Compliance

- 5.0.1 Reporting and compliance is a major component of effective program management. INAC must ensure that recipients follow the terms and conditions outlined in their funding agreements. Without measures taken to demonstrate that the terms and conditions of agreements have been met and that INAC is funding programs that are within its authorities, it would be difficult to present a case for ongoing funding.
- 5.0.2 **Minimum Requirements** – The reporting requirements set out in this section are the minimum requirements (5.2 and 5.3). Regions may also require other reports that are region specific and essential to the successful operation of the program.
- 5.0.3 **Conflict of Interest** – All recipients must comply with the *Conflict of Interest and Post-employment Code for the Public Service and the Conflict of Interest and Post-Employment Code for Public Office Holders*. Where a recipient employs or has a major shareholder who is either a current or former (in the last 12 months) public office holder or a public servant in the federal government, the recipient must demonstrate that he or she has complied with these codes. For more information on conflict of interest, see the following Web site: [http://www.tbs-sct.gc.ca/pubs\\_pol/hrpubs/TB\\_851/guide\\_cip\\_e.asp](http://www.tbs-sct.gc.ca/pubs_pol/hrpubs/TB_851/guide_cip_e.asp)
- 5.0.4 **Financial Management Manual (FMM)** – The *Management Control Framework for the Receipt of Reporting Requirements Policy* provides a management control framework for receiving reports required under INAC Funding Agreements such as: financial statements, program or service reports, management development plans and intervention-related reporting requirements. It provides a framework for following Section 34 of the FAA and the *Treasury Board Policy on Transfer Payments* and ensures a standard application of sanctions imposed by the department according to Funding Agreements where recipients do not provide their reporting requirements. The policy sets out the requirements for conducting initial and detailed reviews of reports to ensure adherence to the terms and conditions of the Funding Agreement. It also guides departmental staff when reports are believed to be unobtainable.

## 5.1 Accountability

### ***Funding Arrangements***

- 5.1.1 Comprehensive Funding Arrangements (CFAs) and Canada/First Nation Funding Agreements (CFNFAs) contain standard provisions for accountability to INAC. Reports and performance must comply with the terms and conditions of the Funding Agreement and the requirements and specifications of the program.
- 5.1.2 Recipients must provide reports as set out in the *First Nations National Reporting Guide*.
- 5.1.3 INAC regions must also maintain regular contact with First Nations concerning the terms and conditions of the funding arrangements.

### ***Local Accountability Requirements***

- 5.1.4 First Nations must follow a common set of accountability requirements that address areas of high risk through *transparency*, *disclosure* and *redress* policies. These requirements emphasize local accountability for local decision making:
- Transparency means that the First Nation's decision-making processes and approved program delivery policies are known to its members.
  - Disclosure means that First Nations members have access to information on the First Nation's program plans, actions and costs, subject to privacy legislation.
  - Redress means that the First Nations maintain formal processes for resolving disputes so that members can appeal decisions of the First Nation, its employees and delegates.

## 5.2 Invoicing

- 5.2.1 **Monthly Invoices** – For contribution funding, recipients are required to submit monthly invoices for program expenditures, which are reimbursed based on actual allowable expenses. Regions then reconcile these invoices by confirming the identity of each final

recipient and verifying that all expenses are within the approved rates. Invoices must be reconciled within 30 days. This will enable regions to accurately forecast their cash flow requirements and to fulfill the requirements of Section 34 of the FAA.

- 5.2.2 **Expenses Outside of Approved Rates** – If an expense is outside the approved rates, the recipient must provide written justification for the charge. If these additional costs are in line with INAC authorities, the regional officer may approve the additional cost. If they are not within INAC authorities, that additional charge must be rejected.
- 5.2.3 **Invoice Sign-off** – Once the reconciliation is complete, the RCM signs off under Section 34 of the FAA for the amount that has been approved. If there are outstanding questions about some of the charges, regions offer the recipient an opportunity to review the questions and, if the recipient feels that these charges are justified, to resubmit them on the following month's invoice with further justification.

## 5.3 Financial Reporting

- 5.3.1 Each First Nation is required to prepare annual financial statements as stated in INAC's *Year End Reporting Handbook* and hire an independent and qualified auditor to verify their content. An annual audit is standard for all recipients receiving federal funding.
- 5.3.2 Each First Nation must submit a copy of its annual audited financial statements to INAC within 120 calendar days of the end of the First Nation's fiscal year. The region then evaluates whether the financial requirements of the Funding Agreement have been met and financial health has been maintained. These audits are also available to all band members for review. When a recipient is not a First Nation, financial reporting is set out in FMM, Chapter 5.17
- 5.3.3 For recipients other than First Nations, Tribal Councils or First Nation political organizations, financial reporting must follow the INAC *Financial Policies and Procedures Manual (Volume 3), Transfer Payment (Part 5), Chapter 5.17*. Before entering into a funding agreement with a recipient, a decision on the most appropriate type of financial reporting must be made. Recipients may be required to provide the department with an annual audited financial statements, an audited statement of revenue and expense or a statement of revenue and expense.

## 5.4 Non-financial Reporting

- 5.4.1 Each recipient must submit various reports regarding service delivery as set out in INAC's *First Nations National Reporting Guide*. INAC uses these reports to ensure that:
- funds have been used for the intended purposes
  - the terms and conditions of the Funding Agreements have been met
  - there is sound management and financial control to ensure services continue to be delivered in First Nations communities
- 5.4.2 Regions will provide the appropriate data collection forms to the recipient, together with applicable instructions to meet the program reporting requirements.

## 5.5 On-site Reviews

- 5.5.1 **On-site Reviews** – Periodic on-site reviews are an essential component of effective compliance. Although not conducted on a regular basis, regions must ensure that all recipients receive an on-site review at least once every two years (or in BC, once every three years). Regions may choose to conduct reviews more frequently if justified. If recipients are showing significant variances in their reporting, an on-site review is essential. Regions should also conduct reviews whenever fraud or misappropriation of program funds is suspected or if there are other significant irregularities.
- 5.5.2 **Purpose of Reviews** – The reviews are intended to ensure that the recipient is keeping the required records and that the information reported in the monthly invoices is correct. The reviews also:
- confirm eligibility of final recipients
  - enable INAC to meet its accountability responsibilities to Parliament for the expenditure of public funds under Section 34 of the FAA
  - determine and ensure compliance with provincial or territorial rates subject to maximum amounts approved by Treasury Board
  - support the recipient and the region in effectively and efficiently operating the program



- 5.5.3 **Composition of Review Teams** – The review team may be composed of INAC employees in partnership with the recipient, consultants, Consulting and Audit Canada and other suitable persons. The review should be inclusive wherever possible to ensure that the recipient is fully involved.
- 5.5.4 **Review Activities** – The review ensures consistency in the invoicing process and involves four distinct activities:
- **Review of case files** – An appropriate sample of case files should be selected for review. The sample should be enough to give a clear picture of the recipient’s operations.
  - **Administrative review** – The office practices of the recipient should also be reviewed, including the accounting for payments made on behalf of eligible clients.
- 5.5.5 **Review Debriefing** – Once the on-site review is complete, there is an on-site debriefing of the recipient and Chief and Council, if appropriate. Written confirmation of the findings is provided to the recipient within 60 days after it is completed. If possible, recipients are expected to correct any findings immediately.
- 5.5.6 **Corrective Action** – If the recipient cannot resolve the identified issues or problems at the time of the on-site review, a corrective action plan should be jointly developed with the recipient to deal with how the recipient intends to resolve these issues. A second joint review may be needed to confirm that all issues and problems have been satisfactorily resolved. This second review normally uses the same methodology as the initial review, but covers only the areas identified in the initial review.



## Annex A Resource Information and Links

### A.1 Canada

Government of Canada  
<http://www.canada.gc.ca/>

Canada Revenue Agency  
<http://www.ccra-adrc.gc.ca/menu-e.html>

Status of Women Canada  
[http://www.swc-cfc.gc.ca/about/about\\_e.html](http://www.swc-cfc.gc.ca/about/about_e.html)

Statistics Canada  
<http://www.statcan.ca/start.html>

Social Development Canada  
<http://www.sdc.gc.ca/en/home.shtml>

Human Resources and Skills Development Canada  
<http://www.hrsdc.gc.ca/en/home.shtml>

Human Resources Social Development,  
National Homelessness Initiative  
<http://www21.hrdc-drhc.gc.ca/>

Treasury Board Policy on Transfer Payments  
[http://www.tbs-sct.gc.ca/pubs\\_pol/dcgpubs/tbm\\_142/ptp1\\_e.asp#\\_Toc482671155](http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/tbm_142/ptp1_e.asp#_Toc482671155)

Treasury Board of Canada,  
Social Union Framework Agreement (SUFA)  
<http://socialunion.gc.ca>

Health Canada, National Clearinghouse on Family Violence  
<http://www.hc-sc.gc.ca/hppb/familyviolence/>

Indian and Northern Affairs Canada  
<http://www.ainc-inac.gc.ca/>

Acts administered by Indian and Northern Affairs Canada  
[http://www.ainc-inac.gc.ca/pr/leg/lgis\\_e.html](http://www.ainc-inac.gc.ca/pr/leg/lgis_e.html)

INAC funding agreements  
[http://www.ainc-inac.gc.ca/ps/ov/agre\\_e.html](http://www.ainc-inac.gc.ca/ps/ov/agre_e.html)

## A.2 BC Region

Government of British Columbia  
<http://www.gov.bc.ca/bvprd/bc/home.do>

BC Statutes and Regulations  
[http://www.gov.bc.ca/bvprd/bc/channel.do?action=simple&channelID=-8351&navId=NAV\\_ID\\_province](http://www.gov.bc.ca/bvprd/bc/channel.do?action=simple&channelID=-8351&navId=NAV_ID_province)

BC Employment and Assistance Manual  
<http://www.mhr.gov.bc.ca/publicat/vol1/>

BC Ministry of Human Resources  
[http://www.gov.bc.ca/bvprd/bc/channel.do?action=ministry&channelID=-8388&navId=NAV\\_ID\\_province](http://www.gov.bc.ca/bvprd/bc/channel.do?action=ministry&channelID=-8388&navId=NAV_ID_province)

BC Family Bonus  
<http://www.rev.gov.bc.ca/itb/fam/fam.htm>

BC Employment and Assistance Act  
<http://www.mhr.gov.bc.ca/publicat/vol1/Part3/3-2.HTM>

BC Employment and Assistance Regulation  
<http://www.mhr.gov.bc.ca/publicat/vol1/Part3/3-3.htm>

BC Employment and Assistance for Persons with Disabilities Act  
<http://www.mhr.gov.bc.ca/publicat/vol1/Part3/3-4.HTM>

BC Employment & Assistance for Persons with Disabilities Regulation  
<http://www.mhr.gov.bc.ca/publicat/vol1/Part3/3-5.htm>

BC Child Care Subsidy Act  
<http://www.mhr.gov.bc.ca/publicat/vol1/Part3/3-6.htm>

BC Child Care Subsidy Regulation

<http://www.mhr.gov.bc.ca/publicat/vol1/Part3/3-7.htm>

INAC BC Region

[http://www.ainc-inac.gc.ca/bc/index\\_e.html](http://www.ainc-inac.gc.ca/bc/index_e.html)

Social Development Policy and Procedures Manual (INAC)

[http://www.ainc-inac.gc.ca/bc/sdpp/index\\_e.html](http://www.ainc-inac.gc.ca/bc/sdpp/index_e.html)

### **A.3 Alberta Region**

Government of Alberta

<http://www.gov.ab.ca/home/index.cfm>

Alberta Children's Services

[www.child.gov.ab.ca](http://www.child.gov.ab.ca)

Government of Alberta Laws and Publications

<http://www.qp.gov.ab.ca/catalogue/>

Government of Alberta Information on the Protection Against Family Violence Act

<http://www.child.gov.ab.ca/whatwedo/familyviolence/page.cfm?pg=Protection%20Against%20Family%20Violence%20Act>

Government of Alberta Information on income support programs

<http://www3.gov.ab.ca/hre/sfi/index.asp>

INAC Alberta Region

[http://www.ainc-inac.gc.ca/ab/index\\_e.html](http://www.ainc-inac.gc.ca/ab/index_e.html)

### **A.4 Saskatchewan Region**

Government of Saskatchewan

<http://www.gov.sk.ca/>

INAC Saskatchewan Region

[http://www.ainc-inac.gc.ca/sk/index\\_e.html](http://www.ainc-inac.gc.ca/sk/index_e.html)

## A.5 Manitoba Region

Government of Manitoba  
<http://www.gov.mb.ca/index.html>

Manitoba Employment and Income Assistance Act  
<http://www.gov.mb.ca/fs/eiamanual/1.html>

Manitoba Employment and Income Assistance Regulation  
<http://www.gov.mb.ca/fs/eiamanual/2.html>

Manitoba Employment and Income Assistance Administrative Manual  
(Manitoba Family Services and Housing)  
<http://www.gov.mb.ca/fs/eiamanual/index.html>

INAC Manitoba Region  
[http://www.ainc-inac.gc.ca/mb/index\\_e.html](http://www.ainc-inac.gc.ca/mb/index_e.html)

## A.6 Ontario Region

Government of Ontario  
<http://www.gov.on.ca/MBS/english/index.html>

Ontario Works Program (Ministry of Community and Social Services)  
<http://www.cfcs.gov.on.ca/CFCS/en/programs/IES/OntarioWorks/default.htm>

Ontario Works Policy Directives  
<http://www.cfcs.gov.on.ca/CFCS/en/programs/IES/OntarioWorks/Publications/ow-policydirectives.htm>

Ontario Disability Support Program (Ministry of Community and Social Services)  
<http://www.cfcs.gov.on.ca/CFCS/en/programs/IES/OntarioDisabilitySupportProgram/default.htm>

Ontario Statutes and Regulations  
<http://www.e-laws.gov.on.ca>

Ontario Works Act  
[http://192.75.156.68/DBLaws/Statutes/English/97o25a\\_e.htm](http://192.75.156.68/DBLaws/Statutes/English/97o25a_e.htm)

Ontario Homemakers Nurses Services Act  
[http://www.e-laws.gov.on.ca/DBLaws/Statutes/English/90h10\\_e.htm](http://www.e-laws.gov.on.ca/DBLaws/Statutes/English/90h10_e.htm)

Ontario Family Benefits Act

[http://192.75.156.68/DBLaws/Statutes/English/90f02\\_e.htm](http://192.75.156.68/DBLaws/Statutes/English/90f02_e.htm)

Ontario Indian Welfare Services Act

[http://192.75.156.68/DBLaws/Statutes/English/90i04\\_e.htm](http://192.75.156.68/DBLaws/Statutes/English/90i04_e.htm)

Ontario Long Term Care Act

[http://www.e-laws.gov.on.ca/DBLaws/Statutes/English/94l26\\_e.htm](http://www.e-laws.gov.on.ca/DBLaws/Statutes/English/94l26_e.htm)

Ontario Nursing Homes Act

[http://www.e-laws.gov.on.ca/DBLaws/Statutes/English/90n07\\_e.htm](http://www.e-laws.gov.on.ca/DBLaws/Statutes/English/90n07_e.htm)

INAC Ontario Region

[http://www.ainc-inac.gc.ca/on/index\\_e.html](http://www.ainc-inac.gc.ca/on/index_e.html)

## A.7 Quebec Region

Government of Quebec

[http://www.gouv.qc.ca/Index\\_en.html](http://www.gouv.qc.ca/Index_en.html)

Government of Quebec Laws and Regulations

[http://www.gouv.qc.ca/Informations/Lois/Lois\\_en.html](http://www.gouv.qc.ca/Informations/Lois/Lois_en.html)

INAC Quebec Region

[http://www.ainc-inac.gc.ca/qc/index\\_e.html](http://www.ainc-inac.gc.ca/qc/index_e.html)

## A.8 Atlantic Region

Government of Prince Edward Island

<http://www.gov.pe.ca/index.php3/>

Government of Nova Scotia

<http://www.gov.ns.ca/>

Government of New Brunswick

<http://www.gnb.ca/index-e.asp>

Government of Newfoundland and Labrador

<http://www.gov.nf.ca/>

INAC Atlantic Region

[http://www.ainc-inac.gc.ca/at/index\\_e.html](http://www.ainc-inac.gc.ca/at/index_e.html)

## **A.9 Territories**

Government of the Yukon

<http://www.gov.yk.ca>

Government of the Yukon Acts and Regulations

[http://www.gov.yk.ca/legislation/pages/page\\_a.html](http://www.gov.yk.ca/legislation/pages/page_a.html)

INAC Yukon Region

[http://www.ainc-inac.gc.ca/yt/index\\_e.html](http://www.ainc-inac.gc.ca/yt/index_e.html)

Government of Northwest Territories

<http://www.gov.nt.ca/>

Government of Nunavut

<http://www.gov.nu.ca/Nunavut/>



## Annex B Resident On-reserve Communities

All residents of the following communities are considered to be ordinarily resident on a reserve:

- Kitcisakik - Canton de Hamon
- Long Point First Nation - Winneway
- Pakua Shipi - Saint-Augustin
- Kanesatake - Oka
- Aroland
- Animbiigoo Zaagi'igon Anishina
- Nibinamik
- MaïganAkik - Barriere Lake
- Marcel Colomb Cree - Lynn Lake
- Mathias Colomb Cree Nation - Granville Lake
- Nisichawayasihk Cree Nation - South Indian Lake
- War Lake First Nation - Ilford
- Fox Lake First Nation - Gillam
- Ocean Man
- Athabasca Chipewyan First Nation (ACFN) - Fort Chipewyan
- Mikisew Cree First Nation - Fort Chipewyan
- Little Red River Cree Nation (LRRCN) - Garden River
- Fort McKay First Nation
- Lubicon Lake Band - Little Buffalo
- Tsay Keh Dene First Nation (Ingenika Band)
- Old Massett Village Council
- Lax Kw'alaams
- Iskut
- Lake Babine Nation
- Wet'suwet'en First Nation - Bromon Lake
- Whe-La-La-U
- all Indian residents in the Yukon



## Annex C

# Income Assistance On Site Compliance Review Process

### 1.0 Purpose

This directive provides national direction to assist the regions and their staff with the conduct of Income Assistance (IA) Compliance Reviews.

This directive helps fulfil Indian and Northern Affairs Canada's (DIAND/ the department) accountability requirements to Parliament as well as its obligations under the *Financial Administration Act* (FAA). It provides guidance to departmental staff on the expenditure of public monies, an essential managerial responsibility (e.g., section 34, FAA).

The objective of IA Compliance Reviews is to determine compliance with rates and conditions as set out in the department's regional Social Development/Assistance Policy and Procedures Manuals. This includes providing support to First Nations administering authorities in the effective and efficient operation of IA by promoting the utilization of the applicable provincial/territorial rates and conditions for IA, and by identifying the source of non-compliance to ascertain measures that can be taken to eliminate such problems in the future.

### 2.0 Scope

This directive applies to all compliance reviews on IA where the funding of IA is based on DIAND reimbursing to a recipient (i.e., in most cases a First Nation) the actual costs or expenditures associated with IA (referred to hereafter as a "reimbursement-of-actuals regime").

It applies to all DIAND employees as well as persons under contract to DIAND who conduct such compliance reviews and to all First Nations, Tribal Councils and other administering authorities who administer IA under a reimbursement-of-actuals regime.

The directive will also be applied to determine the appropriate budget levels of First Nations proposing to enter into a fixed budget funding agreement from a reimbursement-of-actuals regime. Where funding

levels of funding agreements are to be renegotiated, the directive will also be applied. In these cases, an IA compliance review may be part of a larger assessment of all services contained in the funding agreement.

The directive does not apply for the duration of funding agreements which have a fixed budget for IA or where the First Nation is renewing the agreement without seeking funding level adjustments.

### 3.0 Authorities and References

The FAA and accompanying Treasury Board regulations set out the Minister's authority with respect to the expenditure of public monies including grants and contributions.

The Treasury Board Authorities provided under the 1990 Increased Ministerial Authority and Accountability (IMAA)

### 4.0 Issuing authority

This directive is issued under the authority of the Assistant Deputy Minister, Corporate Services.

### 5.0 Definitions

**Client:** The head of household who applies (on behalf of themselves and their dependants) for IA and is accepted as eligible to receive IA based upon the eligibility criteria set out in the department's regional Social Development/Assistance Policy and Procedures Manuals.

**Compliance Review:** A review of the administration and operation of the IA program administered by the Recipient to ensure that the program is being administered in accordance with rates and conditions as set out in the department's regional Social Development/Assistance Policy and Procedures Manuals.

**Eligibility:** Describes the requirements a client or recipient must meet in order to be entitled to receive funding through the department.

**Funding Agreement:** A document containing the terms and conditions by which a transfer payment is made by the Crown to a recipient for the delivery of programs and services by the recipient. Types of agreements include Contribution Arrangements (CA),

Comprehensive Funding Arrangements (CFA), Alternative Funding Arrangements (AFA), Financial Transfer Agreements (FTA), Canada First Nations Funding Agreements (CFNFA), DIAND First Nations Funding Agreements (DFNFA) and Self Government Agreements (SGA)).

**IMAA:** Memorandum of Understanding (MOU) between The Department of Indian Affairs and Northern Development and The Treasury Board of Canada for Increased Ministerial Authority and Accountability.

**Recipient:** The IA administering authority issuing IA to clients. This can include a First Nation, a Tribal Council, or other third party acting on behalf of the First Nation or DIAND.

**Reimbursement of Actuals Regime:** Funding approach by which DIAND will reimburse the recipient for all eligible IA expenditures. Note this does not include any and all IA payments made by the recipient. It is restricted to eligible payments to eligible clients based upon the rates and conditions as set out in the department's regional Social Development/Assistance Policy and Procedures Manuals.

**Remedial Management Process:** A series of steps defined within a funding agreement to confirm and correct problems which come to exist or are arising, with respect to a recipient meeting its obligations under the funding agreement.

**Terms and Conditions:** Set out the obligations between the parties to a funding agreement. They may be contained within the funding agreement itself and other documents referred to within the funding agreement, such as the department's regional Social Development/Assistance Policy and Procedures Manuals.

## 6.0 Policy Statement

The basic principles to be followed in the administration and monitoring of IA are as follows:

- a) IA is an income source of last resort;
- b) everyone has a right to apply for IA, however, in order to receive IA an applicant must be eligible;

- c) it is the applicant's responsibility to provide the necessary information to prove that they are eligible for IA and to demonstrate the level of the financial assistance required;
- d) it is the First Nations' responsibility (through their Chiefs and Councils and administrative staff) to manage IA in accordance with the applicable rules described in the department's regional Social Development/Assistance Policy and Procedures Manuals and to put in place accountability mechanisms on the management of IA to their members.

The purpose of conducting compliance reviews is to:

- a) enable the department to meet its accountability responsibilities to Parliament for the expenditure of public funds under section 34 of the FAA;
- b) determine and ensure compliance with rates and conditions as set out in the department's regional Social Development/Assistance Policy and Procedures Manuals or, where these do not exist, with the applicable provincial or territorial guidelines;
- c) provide support to First Nations administering authorities in the effective and efficient operation of IA.

### **6.1 Eligibility Criteria**

Client eligibility criteria are set out in the department's regional Social Development/Assistance Policy and Procedures Manuals.

Recipient eligibility is determined by the funding agreement.

## **7.0 Responsibilities**

Except where otherwise indicated, the Regional Directors General are responsible for implementing this directive.

This directive represents a standard which regions must implement. There is nothing in the directive which limits regions from exceeding (e.g., more frequent reviews, larger samples, etc.) the requirements of this directive, subject to the terms and conditions of the funding agreement.

The Finance Branch at headquarters is responsible for the interpretation of this directive and for the insertion of any necessary changes.

## 8.0 Review process

### 8.1 In-Office Reviews

#### ***Manuals***

A basic requirement of a complete compliance process is the existence of regional manuals that reflect the applicable provincial/territorial terms and conditions including rates and guidelines, subject to compatibility with federal legislation and DIAND's authorities for the general assistance program of the province or territory as set out in the IMAA.

#### ***Manuals Time Frame***

- a) Regions have ninety (90) days from the date of provincially/territorially announced changes in terms and conditions, including rate changes, to update their manuals and advise First Nations of the changes.
- b) However, to the extent that the provincial/territorial changes are consistent with federal legislation and DIAND's authorities, the changes must be put into effect as of the same date as the provincial/territorial changes go into effect. Regions are to ensure that they have a mechanism in place to notify First Nations immediately of any such changes.

#### ***Verification of Ongoing Claims for Reimbursement***

Regions are to ensure that their office procedures include a clearly defined process in the region to verify ongoing claims for reimbursement. This process must also include a notification process to advise First Nations of the reasons why any portion of the claim has not been reimbursed and what corrective action, if any, is required with respect to the refused amounts. This process can also include the cross referencing of data bases within the region to verify the eligibility of clients. Where DIAND itself is carrying out cross verification procedures between DIAND and provincial/other government departments databases, a Memorandum of Understanding (MOU) or some other agreement is required between the region and the province/other government department.

Where the supporting documentation is insufficient to substantiate the First Nation's claim for reimbursement, regions will not reimburse these First Nation expenditures until the supporting documentation has been received.

***Financial Impact of Compliance Activity***

Regions are to implement and maintain a system to capture and report on: the difference between First Nations claims for reimbursements and actual reimbursements (i.e. impact of in-office review); and amount recovered as a result of on-site reviews (if applicable).

**8.2 On-Site Reviews**

On-site compliance reviews should follow a process such as outlined below:

***Notification to First Nation***

First Nations are to be given written advance notice of an intended on-site review. Arrangements are to be made to ensure that the documentation required for the review as well as the appropriate First Nation staff and representatives are available to assist in the review and to be briefed on the findings of the review.

***Review Team***

The review team can be composed of DIAND employees, however, other means to complete the reviews are acceptable. The First Nations auditor, a third-party consultant, Consulting and Audit Canada, or other suitable persons or firm may be used to conduct compliance reviews.

***Pre-Meeting With First Nation***

Upon arriving at the First Nation, the review team should brief the First Nation on the process and methodology to be followed for conducting the review and any follow-up action that may be required. At this time, if deemed appropriate, the review team should liaise with Chiefs and Councils as well as First Nation administrations.



***Components of the Review***

The review is to be composed of four distinct activities:

- a) review of case files;
- b) cross verification of data where indicated;
- c) an administrative review of the office practices of the First Nations administering authority and the associated accounting for payments made to or on behalf of eligible clients;
- d) a review of related activities or services such as housing.

***File Review sample Selection***

A systematic approach should be used in the completion of compliance reviews. Sampling may thus be used. However, the samples employed should ensure that the results are not unduly biased by the inclusion or non-inclusion of certain key individuals. (Appendix A outlines the sampling approach to be followed.) Follow-up on anomalies found during the region review may also be included.

***File Review***

- a) A complete case file must include the Application, Budget and Decision Sheet (B&D), and other documentation required to support the application. Keep in mind that the main purpose of the file review is to determine that an individual has, on the basis of the case file, received a proper payment, rather than to determine that the case file is perfectly maintained in all respects. Problems with the adequacy of the case file should be noted and reported to the administering authority.
- b) The file should also include a case-management plan (or files and notes to support decisions and payments made) together with evidence that the case worker has cross verified eligibility of the applicant/client and all dependants. (The absence of a case management plan is not a reason in itself to reject the reimbursement of the expenditure if the rest of the file is complete and correct.)

- c) If the file review identifies a non-compliant payment in the sample month, then other payments to the same or similar clients should be reviewed as necessary to determine the extent of non-compliance. Additional periods should be reviewed as appropriate.

#### ***Cross Verification***

First Nations should take reasonable care in issuing IA benefits that they verify whether or not clients are already in receipt of provincial IA benefits, or are entitled to receive or are in receipt of Employment Insurance (EI), Old Age Security (OAS), or any other benefits which would reduce or eliminate eligibility for IA benefits. DIAND compliance activities should verify that such cross verification, where applicable, was carried out. For further details please refer to Appendix B.

#### ***Income Classification***

In the review of client files, sources of income should be correctly identified. In particular, care should be taken that Chiefs and Councillors honoraria, less substantiated expenses, are counted as income for purposes of calculating social assistance entitlements.

#### ***Administrative Review***

The administrative review is completed to assess the financial and administrative operations of the First Nations administering authority to ensure that they comply with acceptable office practices. The administrative review process is outlined in Appendix C.

#### ***Review of Related Programs***

- a) The review team is to review the policies and records of programs which impact IA reimbursements. This includes but is not limited to First Nations housing and programs charging user fees for which the First Nation has been reimbursed under IA.
- b) Where IA clients pay rents or user fees, it should be expected that these charges are charged and collected from all residents/households on the reserve at rates comparable to that charged to IA clients. Should the review team determine that this is not the case, then the First Nation's housing regime may not be compliant with DIAND's Housing Policy and remedial action must be considered.

***On-Site Resolution of Non-Compliance***

The First Nation should be given every opportunity to address and resolve on site any areas of non-compliance identified. The object is to minimize the number of follow-up items to the extent possible.

***Debriefing***

Once the on site review is finished and before leaving the site, First Nation staff and representatives are to be debriefed on the preliminary findings of the review. Where appropriate, Chiefs and Councils should also be debriefed on site. Written confirmation of these findings should also be provided to the First Nation. If necessary, a follow-up review should be done, using the same procedures as the first but covering only those problem areas identified in the first review.

In the **Ontario Region**, IA is administered by the Province of Ontario. Compliance reviews are carried out by the Province under provincial legislation. The Ontario Region is to ensure that the terms and conditions of the 1965 Ontario Indian Welfare Agreement are adhered to and that provincial reviews meet the objectives of this directive.

**8.3 Appeals and Records**

***Appeals***

Where the First Nation wishes to appeal decisions made during monthly verifications or on-site compliance reviews, such appeals should use the normal appeal process in the region.

***Maintenance of Records***

In order to facilitate compliance monitoring and the processing of appeals, First Nations should maintain clients case files for at least three years after payments are made.

**8.4 Refusal of Access**

Refusal of a First Nation to permit access to the files so that the on-site review can be completed will result in the immediate application of remedial action as permitted under the terms and conditions of the funding agreement with the First Nation. Such remedial action will continue in effect until the on-site compliance review has been completed.

## 8.5 Remedial Action

- a) Where the findings of the review identify items or areas of non-compliance, the First Nation is to be given a reasonable period of time to take remedial action to correct these items. The length of time to be provided to the First Nation to take corrective action is dependant upon the extent of the non-compliance problem.
- b) Depending upon the extent of non-compliance, the First Nation can be requested to provide copies of the missing or incomplete documentation. Alternatively, the region may arrange a follow-up visit to assess the corrective action taken on all the files identified as not being in compliance during the original review.
- c) If corrective action has not been taken by the First Nation, the region is to initiate recovery of the payments to the First Nation for all files not in compliance for the extent of payments which are not in compliance. The recovery period is not limited to a set time period. Recovery actions are to be based upon the time the non-compliance began. Recovery is to be limited to only those files which have been reviewed. If, at any time, the compliance team identifies significant or systematic errors during the review, the sample should be expanded, if necessary to 100 percent, if anomalies warrant such an expansion. The First Nation is not to be reimbursed for clients where the file review for that client indicated non-compliance, until such time as the First Nation has demonstrated that the file is in compliance.
- d) In cases where there is evidence of a possible criminal act, the region shall consult with or refer such cases to the proper police authorities. Such action in itself does not prove a possible criminal act. It is an action to ensure that the evidence is considered by those mandated under law to consider such information in accordance with due process of law. (Refer to the February 26, 1998, letter from the Transfer Payments Directorate, Finance Branch, headquarters, entitled "Management of Allegations Involving First Nations".)

- e) Where cases have been referred to the police, and once the police and crown attorney have indicated that such activities will not jeopardize the police investigation and/or potential prosecution, regions should continue with remedial action as set out in above paragraphs a) to c). Regions should consult with the police authorities on an ongoing basis on cases which have been referred to the police.

## **8.6 Frequency**

On-site compliance reviews of every First Nation funded under a reimbursement-of-actuals regime are required at least every two years in all regions except British Columbia where they are required every three years.

The departmental compliance methodology is composed of a review and verification of ongoing claims for reimbursement supplemented by periodic on-site reviews of these transactions. As stated in the Scope (Section 2.0), this does not apply to First Nations which have a fixed budget or where a First Nation is renewing its funding agreement without seeking funding adjustments.

The review and verification of ongoing claims for reimbursement are part of an effective compliance regime. This activity may result in the identification of First Nations which should be subjected to further reviews as a result of anomalies in the ongoing claims.

## **8.7 Reporting**

Regions are to report annually on their compliance activity results from the prior fiscal year. This reporting will normally take place in the first quarter of the fiscal year through the performance indicator exercise.

## **9.0 Enquiries**

Enquiries relating to this directive should be addressed to the Director, Resource Management and Reporting Directorate, Finance Branch, Headquarters.

## APPENDIX A

### ***File Review Sample Selection***

Further to the sampling reference in section 8.2, a two-tier sampling methodology can be employed to ensure that the results of the review are not unduly biased by the inclusion *or non-inclusion* of individuals that would distort the findings of a sample. The samples are described as follows:

Sample 1 - A 100 percent sample of Chiefs and Councils, and band employees. While these individuals may qualify for IA, experience has shown that where they are included in a random sample, the results of the review may be distorted if, as a result of the random sample, individuals from this group are over or under-represented. In order to avoid any distortion which would invalidate the findings of the review, this group is to be sampled at 100 percent as a separate sample.

Sample 2 - The balance of the files will be sampled on the basis of the sampling methodology developed by the Corporate Information Management Directorate (CIMD) of DIAND as contained in the paper entitled "Program Review for Social Assistance: sampling Guide" dated October 1995.

## **APPENDIX B**

### ***File Review Cross Verification***

First Nation cross verification activities may include, but are not limited to, confirming eligibility by cross referencing with:

- \* Such lists or databases as the Post Secondary Education (PSE) list (departmental policy precludes an individual from receiving IA if they are in receipt of PSE funding), the list of children in care and the list of foster parents, the list of children receiving an Elementary/Secondary living allowance, etc.
- \* Provincial IA databases and other provincial lists such as workers compensation plans.
- \* Federal databases such as Employment Insurance (EI), Old Age Security (OAS), Guaranteed Income Supplement (GIS), etc.
- \* Pension plans such as the Canada Pension Plan (CPP) and Quebec Pension Plan (QPP).

These activities refer to the administering authority (i.e., First Nation). Where the case worker has specific knowledge that the client and dependants are not in receipt of, or eligible for benefits from another source, this must be noted on the file with the explanation and is subject to verification by the review team. The review team is to confirm that the file contains the appropriate cross verifications and conduct sufficient tests to confirm that the cross verifications have in fact been performed.

## APPENDIX C

### ***Administrative Review***

The administrative review is completed to assess the administering authority's financial and administrative operations.

A general question that should be asked is, do the financial and administrative procedures comply with acceptable office practices? To this end the review team should review the most recent financial audit and program review reports.

- A) The administering authority's financial management processes should include the following:
- \* cheque and bank reconciliation processes
  - \* preparation of monthly statistical, expenditure, reimbursement, and cheque/cash reports to council and (where applicable) to DIAND
  - \* documentation of personnel with the authority to sign cheques, issue IA payments, prepare reimbursement reports, and reconcile accounts, bank statements and cheques
  - \* availability of financial audit and program review reports
  - \* a clearly defined appeal mechanism which includes a method by which applicants are made aware of their right to appeal
- B) The general office administration practices should include the following:
- \* secure and complete client files, including:
    - application forms
    - Budget and Decision sheets (B&Ds)
    - client agreements to release information
    - housing/shelter costs
    - special needs back-up information
    - an indication that the reported income and EI payments are verified
    - other
  - \* availability and easy access to an up-to-date department's regional Social Development/Assistance Policy and Procedures Manuals and rate schedules, including all related interpretative material
  - \* a welfare organization chart and job description