



2026 REPORT OF THE AUDITOR GENERAL OF CANADA
TO THE PARLIAMENT OF CANADA

New Fiscal Initiatives With First Nations



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

**INDEPENDENT
AUDITOR'S REPORT**

Performance audit reports

This report presents the results of a performance audit conducted by the Office of the Auditor General of Canada (OAG) under the authority of the Auditor General Act.

A performance audit is an independent, objective, and systematic assessment of how well government is managing its activities, responsibilities, and resources. Audit topics are selected on the basis of their significance. While the OAG may comment on policy implementation in a performance audit, it does not comment on the merits of a policy.

Performance audits are planned, performed, and reported in accordance with professional auditing standards and OAG policies. They are conducted by qualified auditors who

- establish audit objectives and criteria for the assessment of performance
- gather the evidence necessary to assess performance against the criteria
- report both positive and negative findings
- conclude against the established audit objectives
- make recommendations for improvement when there are significant differences between criteria and assessed performance

Performance audits contribute to a public service that is ethical and effective and a government that is accountable to Parliament and Canadians.

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At a Glance



Overall message

Overall, Indigenous Services Canada did not effectively implement, monitor, or assess the New Fiscal Relationship initiatives it committed to with First Nations. The Government of Canada and the Assembly of First Nations agreed in 2016 to establish the initiatives to advance First Nations' right to self-determination and support efforts to close persistent socio-economic gaps between First Nations and other Canadians.

Two of the commitments under the New Fiscal Relationship have not been met. First, the Default Prevention and Management Policy was not replaced with a new policy focusing on First Nations' capacity development to prevent financial default. Second, a mutual accountability framework between First Nations, their citizens, and the federal government was not created. Such a framework was intended to strengthen accountability to First Nations citizens while establishing mutual accountability between Indigenous Services Canada and First Nations for commitments made and results achieved.

By the end of the 2024–25 fiscal year, the department had provided more than \$6.5 billion in funding to First Nations through 10-year grants—a key commitment of the new fiscal initiatives. A main objective of the grants is to provide long-term, predictable, and flexible funding for First Nations.

To remain eligible to receive payments under the 10-year grants, recipients must meet certain financial performance measures. The First Nations Financial Management Board supports the department in assessing these measures by producing monitoring reports based on an examination of each grant recipient's audited financial statements. We found that only 39% of the grant recipients' files we examined had the required monitoring report for all fiscal years. This reflects broader resourcing and access challenges, such as limited financial capacity and difficulties securing auditors.

We also found that Indigenous Services Canada did not assess whether the 10-year grants were helping to address the disparities and inequities between First Nations and other Canadians and contributing to the new fiscal initiatives' objective to advance First Nations' right to self-determination.

Key facts and findings



- In 2016, the federal government and the Assembly of First Nations agreed to provide more long-term and predictable funding to First Nations. The intent was to move away from the past approach where funding was applied for and allocated for specific programs individually.
- As of September 2025, there were 191 First Nations, tribal councils, First Nations health authorities, and First Nations education authorities receiving funding through the 10-year grants. All recipients that received a grant were eligible, and we found that payments aligned with the initial or adjusted payment schedules.

See [Recommendations and Responses](#) at the end of this report.

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Introduction

Background

New Fiscal Relationship with First Nations

1. Canada's historical fiscal relationship with First Nations had long-standing challenges, including funding policies that restricted the predictability and flexibility of funding. In 2016, the Government of Canada and the Assembly of First Nations established a memorandum of understanding in which they committed to working together to co-develop fiscal initiatives called the New Fiscal Relationship.
2. The overarching objectives of these initiatives were to advance First Nations' right to **self-determination**¹ and to support efforts to close socio-economic gaps between First Nations and other Canadians. As part of the new fiscal initiatives, in 2017, the federal government committed to:
 - replacing Indigenous Services Canada's Default Prevention and Management Policy with a new policy and funding that better support all First Nations in building their own financial administration and management capacity
 - developing a mutual accountability framework through which First Nations are accountable to their own citizens while the federal government and First Nations governments hold one another mutually accountable for the commitments they make to each other based on a true nation-to-nation relationship
 - creating 10-year grants, known as New Fiscal Relationship grants, to provide long-term, predictable, and flexible funding to First Nations for programs and services, such as public health, education, and income assistance ([Exhibit 1](#))

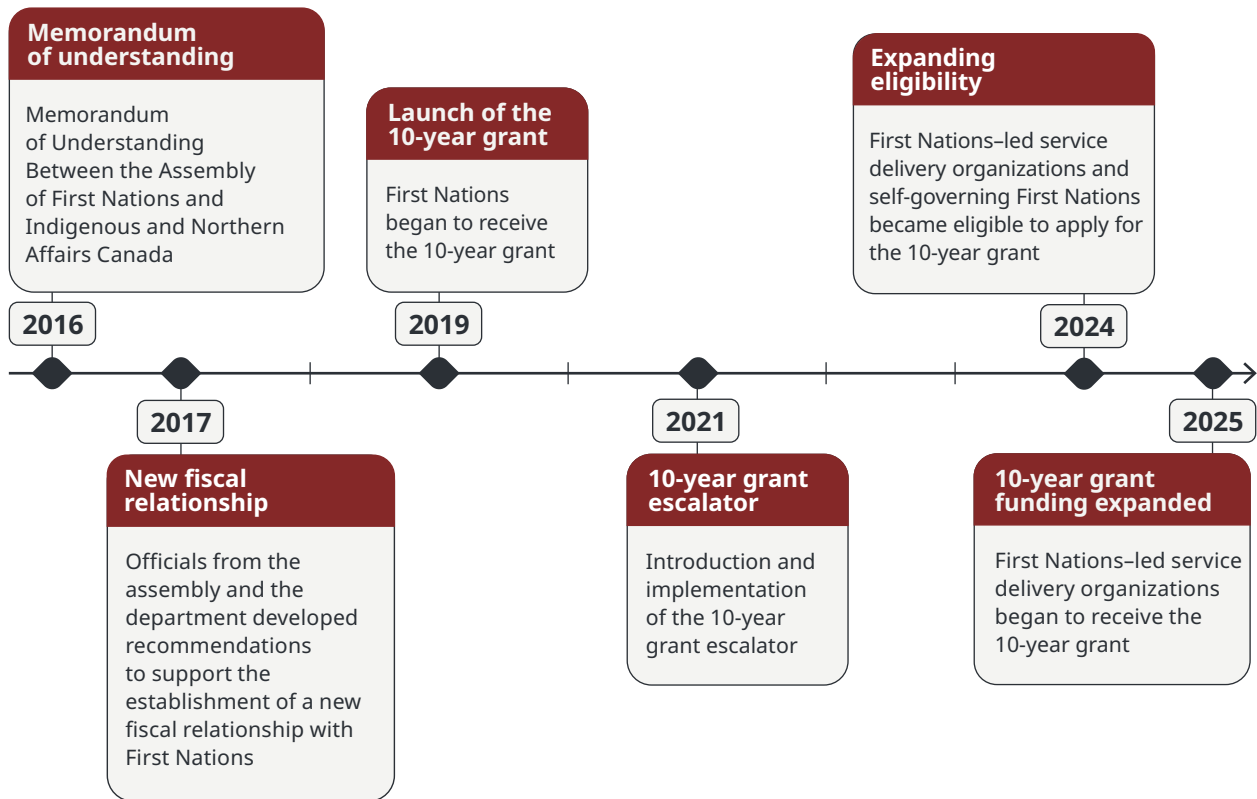
¹ **Self-determination**—First Nations' right to freely determine their political status and freely pursue their economic, social, and cultural development. In exercising their right to self-determination, First Nations have the right to autonomy or self-government in matters relating to their internal and local affairs, as well as ways and means for financing their autonomous functions.

Source: United Nations Declaration on the Rights of Indigenous Peoples

3. Starting in 2021, an annual funding increase, known as the grant escalator, was introduced to the 10-year grants. This funding adjustment was intended to account for inflation and First Nations’ population growth, with a minimum 2% annual increase applied to a recipient’s 10-year grant funding.

4. In 2024, grant eligibility was expanded to include self-governing First Nations and First Nations–led service delivery organizations, which include tribal councils, First Nations health authorities, and First Nations education authorities ([Exhibit 1](#)).

Exhibit 1—Milestones in the development of the 10-year grant



Source: Based on information from Indigenous Services Canada

 [Read the Exhibit 1 text description](#)

Roles and responsibilities

5. **Indigenous Services Canada.** The department works with First Nations to improve access to high-quality services with a vision to support and empower First Nations to independently deliver services and address the socio-economic conditions in their communities.

6. The federal government has emphasized the importance of reconciliation and the renewal of a nation-to-nation relationship between Canada and Indigenous communities that is based on the recognition of Indigenous rights, respect, cooperation, and partnership. Reconciliation requires joint leadership, trust building, accountability, and transparency. As part of the reconciliation process, Indigenous Services Canada is also responsible for the gradual transfer of its responsibilities to Indigenous organizations to directly deliver services to their communities.

Focus of the audit

7. This audit focused on whether Indigenous Services Canada effectively implemented, monitored, and assessed the results of the New Fiscal Relationship with First Nations. We examined how the department implemented the commitments it made under the initiatives, including replacing the Default Prevention and Management Policy, developing a mutual accountability framework, and creating the 10-year grants. We also examined whether the department assessed the impacts of the 10-year grants on participating recipients.

8. This audit is important because the socio-economic gaps between First Nations and other Canadians are a significant and persistent issue. For example, unemployment rates are higher among First Nations. In addition, poverty rates among First Nations are significantly higher than the Canadian average.

9. More details about the audit objective, scope, approach, and criteria are in [About the Audit](#) at the end of this report.

Findings and Recommendations

Two commitments under the new fiscal initiatives were not met

Why this finding matters

10. The objectives of the new fiscal initiatives are to advance self-determination and help close socio-economic gaps between First Nations and other Canadians.

The Default Prevention and Management Policy was not replaced

Context

11. Indigenous Services Canada's Default Prevention and Management Policy applies when a funding agreement is put in place with a First Nation and has been in effect since 2011. The policy outlines interventions intended to support the continued delivery of programs and services in the event that a First Nation defaults on the terms and conditions of a funding agreement with the department.

12. The Default Prevention and Management Policy has been criticized by First Nations and organizations for failing to support capacity development to help communities increase their ability to self-manage and prevent financial default and default recurrence. Critics stated that the policy does not address the root causes of financial distress. In 2017, Indigenous Services Canada committed to co-developing a replacement policy with First Nations partners. This replacement policy would also include accompanying capacity development supports for First Nations.

Findings

13. We found that Indigenous Services Canada did not meet its commitment to replace the Default Prevention and Management Policy with a new policy and initiatives focusing on First Nations' capacity development. Instead, the department implemented an interim directive in 2023 that removed the first 2 of the 3 levels of default interventions. The first level required the recipient to develop a management action plan to address the reasons for defaulting on the terms and conditions of funding agreements.

The second level required the recipient to appoint an advisor as part of their management action plan to address the default and prevent its recurrence.

14. As part of this interim directive, the department kept the third level of intervention, which is third-party management. Under this level, a funding agreement manager is contracted by Indigenous Services Canada to administer the funding provided by the department to the First Nation. The department kept this intervention as a temporary and last-resort measure to continue the delivery of programs and services to First Nations that default on the terms and conditions of funding agreements.

15. We found that Indigenous Services Canada had a draft version of a policy to replace the Default Prevention and Management Policy, but it was not implemented. Department officials told us that they did not have sufficient funding to implement the policy or for capacity development support for First Nations.

16. In our opinion, supporting capacity development and First Nations' self-determination with accompanying training and funding is essential for implementing a replacement policy.

A mutual accountability framework was not developed

Context

17. As part of the new fiscal initiatives, Indigenous Services Canada committed to establishing a mutual accountability framework, which was to be co-developed in collaboration with First Nations partners and grounded in a set of outcomes for closing the socio-economic gaps between First Nations and other Canadians.

18. The relationship between Indigenous Services Canada and First Nations was traditionally a funder-recipient model, where First Nations were accountable to Indigenous Services Canada. Unlike the traditional relationship, under a mutual accountability framework, First Nations are accountable to their citizens, and First Nations and Indigenous Services Canada are accountable to one another.

Findings

19. We found that Indigenous Services Canada did not effectively facilitate the development and implementation of a mutual accountability framework. As an initial step, Indigenous Services Canada engaged with First Nations partners from 2019 to

2024 to co-develop a draft National Outcomes Based Framework with the Assembly of First Nations in 2024. Co-developing and implementing a national outcomes framework to help close the socio-economic gaps between First Nations and other Canadians was identified as a key element in building mutual accountability.

20. First Nations reviewed this draft and signalled that further development of the outcome framework needed to be driven by First Nations themselves. Without First Nations-driven outcomes, the development of a mutual accountability framework was delayed.

Funding was delivered in accordance with the 10-year grant agreements, but there were gaps in monitoring ongoing eligibility

Why this finding matters

21. One of the commitments of the new fiscal initiatives was to create 10-year grants to provide predictable and flexible funding to First Nations so they can better plan for the long-term and have more flexibility on how funds are allocated to improve outcomes for their citizens.

Context

22. Since 2019, Indigenous Services Canada has offered qualifying First Nations the option to receive a grant for up to 10 years. Funding provided under a 10-year grant can be transferred between programs, and unspent funding can be carried over to the next fiscal year. In 2024, the department expanded grant eligibility to First Nations-led service delivery organizations and self-governing First Nations.

23. There are 2 eligibility criteria to receive and maintain eligibility for a 10-year grant:

- First Nations must have a financial administration law or bylaw, while First Nations-led service delivery organizations must have a policy on financial administration.
- Applicants must meet certain financial performance measures, such as a net debt ratio and an ability to service interest expenses, which are assessed through an examination of the applicants' audited financial statements for the preceding 5 years. After receiving the grant, recipients must meet these financial performance measures annually.

24. Indigenous Services Canada works with the First Nations Financial Management Board to determine applicants' eligibility to receive a 10-year grant. The board is an independent First Nations-led organization that helps First Nations strengthen their financial governance, accountability, and financial management systems. The board provides assessments of applicants against the 10-year grant's 2 eligibility criteria to Indigenous Services Canada. The department reviews the board's assessments, determines the eligibility of applicants, and then offers 10-year grants to eligible recipients.

All recipients qualified for 10-year grants

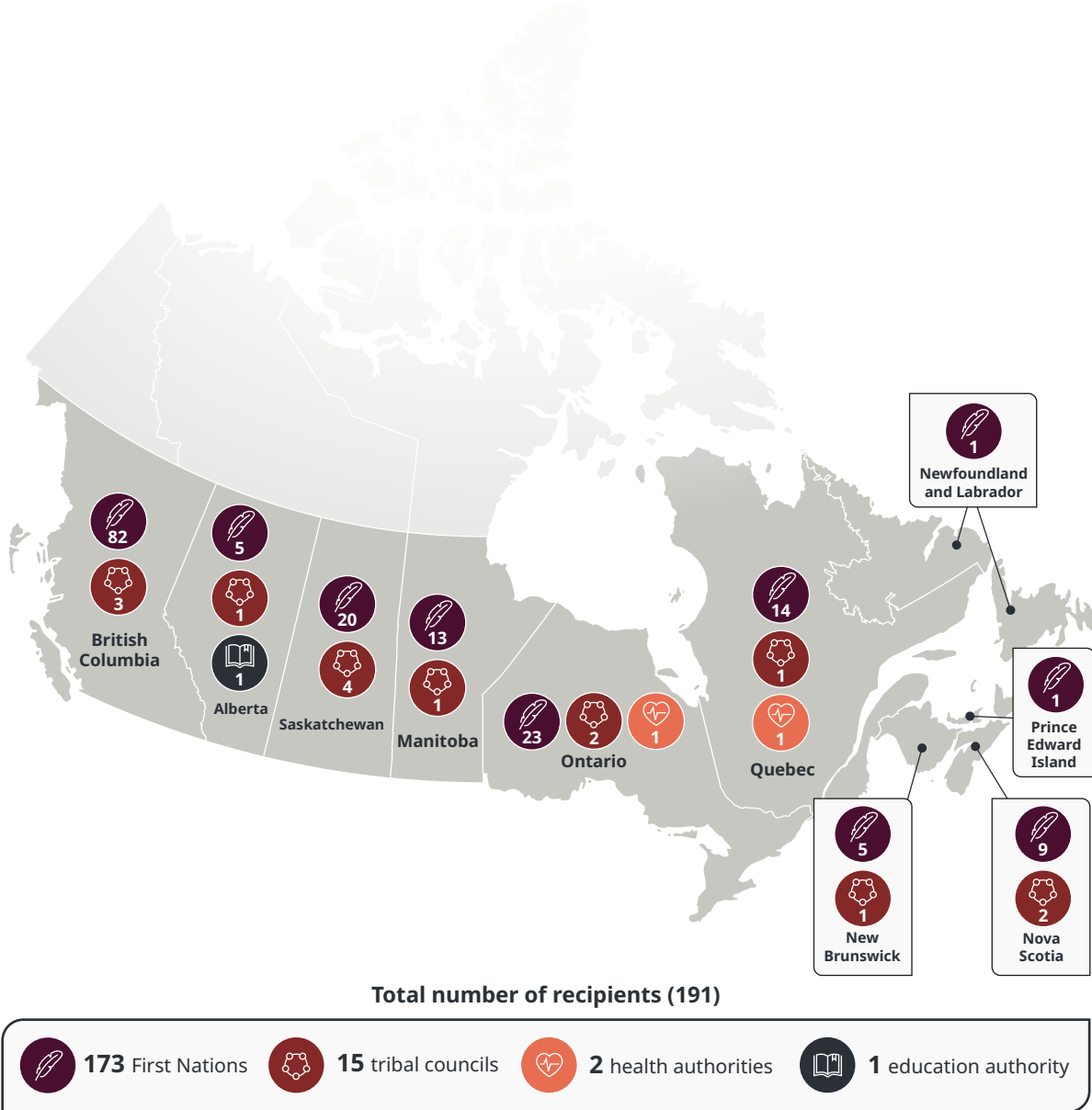
Findings

25. We found that Indigenous Services Canada, in collaboration with the First Nations Financial Management Board and the Assembly of First Nations, co-developed well-defined criteria for determining eligibility for the 10-year grants.

26. We examined Indigenous Services Canada's process for determining whether First Nations and First Nations-led service delivery organizations that applied for a 10-year grant were eligible to receive it. We reviewed a representative sample of 51 grant recipients and found that all of them met the grant's eligibility criteria.

27. As of the 2025–26 fiscal year, there were 619 First Nations in Canada. Indigenous Services Canada also interacts through other programs with approximately 80 tribal councils, 53 First Nations health authorities, and 22 First Nations education authorities in Canada. We found that 191 of these communities, tribal councils, First Nations health authorities, and First Nations education authorities received 10-year grant funding in 2025–26 with recipients in all provinces ([Exhibit 2](#)). As of 2025–26, there were no self-governing First Nations receiving a 10-year grant and no recipients in the territories.

Exhibit 2—There were 10-year grant recipients in all provinces



Notes:

- Data is as of September 2025.
- First Nations have been receiving 10-year grants since the 2019–20 fiscal year, while tribal councils, First Nations health authorities, and First Nations education authorities have been receiving 10-year grants since the 2025–26 fiscal year.

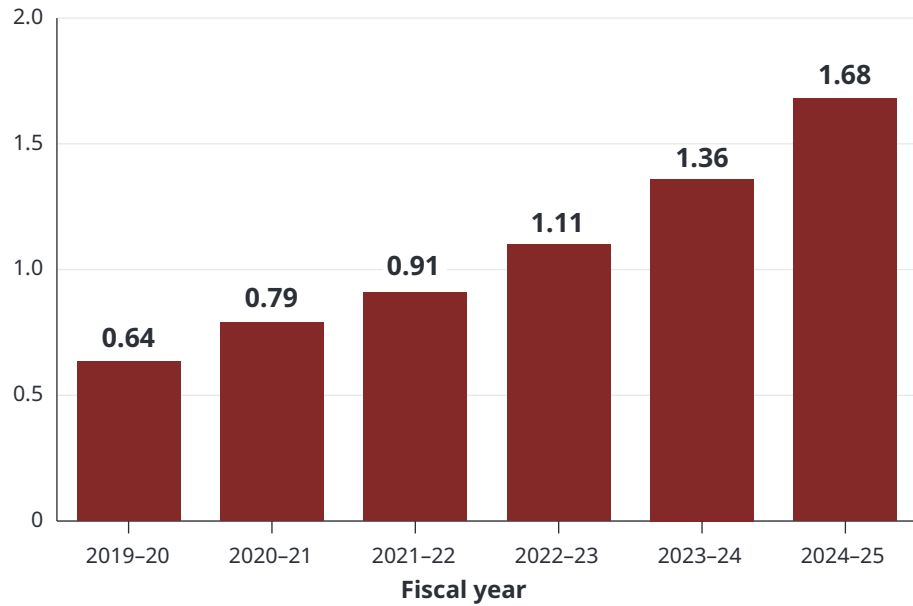
Source: Based on information from Indigenous Services Canada

 [Read the Exhibit 2 text description](#)

28. By the end of the 2024–25 fiscal year, a total of \$6.5 billion had been provided to 160 First Nations ([Exhibit 3](#)).

Exhibit 3—A total of \$6.5 billion in 10-year grant funding had been provided to First Nations by the end of the 2024–25 fiscal year

**Funding
(in billions of dollars)**



Note: Final data for the 2025–26 fiscal year was not available at the time of our audit.

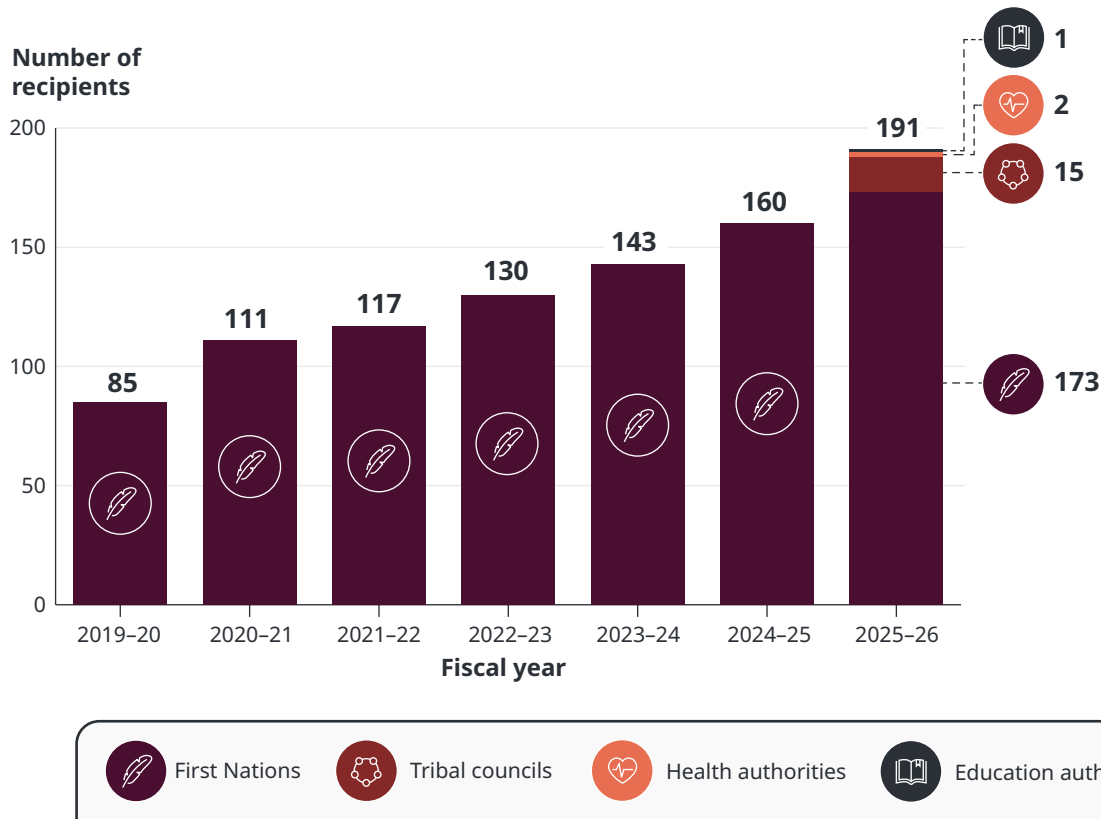
Source: Based on information from Indigenous Services Canada



[Read the Exhibit 3 text description](#)

29. We found that as of September 2025, all 191 First Nations, tribal councils, First Nations health authorities, and First Nations education authorities that applied and qualified for a 10-year grant had received it. The number of 10-year grant recipients had increased annually since the start of the grant ([Exhibit 4](#)).

Exhibit 4—The number of grant recipients increased every year from the 2019–20 fiscal year to September 2025



Note: Tribal councils and other First Nations–led service delivery organizations became eligible to apply for the 10-year grant in 2024 and began receiving the grant starting in the 2025–26 fiscal year.

Source: Based on information from Indigenous Services Canada

 [Read the Exhibit 4 text description](#)

Funding delivered to recipients was consistent with the funding agreements

Context

30. Funding for the 10-year grants is set out in a funding agreement between Indigenous Services Canada and the grant recipient. These agreements outline the amount of grant funding the recipient will receive and include the payment schedule of when funding will be provided.

31. Indigenous Services Canada can adjust the funding amounts and schedule to the 10-year grant funding agreements to reflect changes in certain programs within the agreements—for example, funding linked to school enrolment.

Findings

32. Using representative sampling, we reviewed 49 funding agreements between Indigenous Services Canada and grant recipients. We found that funding was provided according to the initial or adjusted payment schedules for these agreements.

33. We also found that escalator payments, including the 2% minimum increase, which were in place to account for inflation and population growth, were provided to all grant recipients in our sample.

Insufficient support to First Nations for capacity building hindered the department's monitoring of recipients

Context

34. The 10-year grant monitoring process includes a requirement for an annual monitoring report on a grant recipient's financial performance. The First Nations Financial Management Board prepares and provides a monitoring report to Indigenous Services Canada for every recipient for each fiscal year in which a recipient received funding under a 10-year grant. These reports are prepared by the board based on the most recent 5 years of audited financial statements of the grant recipient and are used by Indigenous Services Canada as part of its risk monitoring process for recipients' ongoing eligibility for the 10-year grants.

Findings

35. We found that Indigenous Services Canada, the First Nations Financial Management Board, and the Assembly of First Nations co-developed monitoring criteria and a process to annually assess recipients' ongoing eligibility for the 10-year grants.

36. We examined a representative sample of 51 grant recipient files to determine whether Indigenous Services Canada used the annual monitoring reports provided by the First Nations Financial Management Board as part of the department's 10-year grant monitoring.

37. Of the 51 grant recipients, 15 started receiving grant funding only in 2024 or 2025, so monitoring reports for these recipients were not required during the time of our audit. Of the 36 grant recipients where monitoring reports were required, we found that only 39% of the files we reviewed (14 out of 36) had annual monitoring reports on the financial performance for each fiscal year the recipient

received funding under the grant. We also found that 61% of the files (22 out of 36) did not have a monitoring report for some fiscal years, with 6 of these not having any monitoring reports.

38. Officials from Indigenous Services Canada and the First Nations Financial Management Board told us that some First Nations could not provide their audited financial statements to the board on time. This was due to challenges faced by First Nations in preparing their financial statements, including limited administrative and financial capacity, and access to auditors. Indigenous Services Canada is aware of these challenges and did not follow up with the First Nations Financial Management Board on the monitoring reports it had not received from the board.

39. Without audited financial statements from each grant recipient, the First Nations Financial Management Board could not prepare monitoring reports to provide to Indigenous Services Canada. As a result, the department did not have complete information on grant recipients' financial performance.

Recommendation

40. Indigenous Services Canada should provide additional support to First Nations, including 10-year grant recipients, to increase their administrative and financial capacity to prepare financial statements.

The department's response. Agreed.

See [Recommendations and Responses](#) at the end of this report for detailed responses.

Indigenous Services Canada did not have a complete understanding of the impacts of the 10-year grants on recipients

Why this finding matters

41. Sufficient data and analysis are required by Indigenous Services Canada to determine whether the 10-year grants are contributing to the new fiscal initiatives' objectives to advance First Nations' self-determination and help close the socio-economic gaps between First Nations and other Canadians.

Context

42. In 2018, when the new fiscal initiatives were co-developed with the Assembly of First Nations, Indigenous Services Canada planned to use the Community Well-Being Index to assess the impacts of the 10-year grants. The index uses data from Statistics Canada to assess the socio-economic well-being of Indigenous communities, including First Nations, and non-Indigenous communities.

43. In our [2018 audit of socio-economic gaps on First Nations reserves](#), we found that the department did not adequately use the large amount of program data provided by First Nations. In response to these findings, the department committed to building on the Community Well-Being Index by co-developing, with First Nations and other partners, a broad dashboard of well-being outcomes that would reflect mutually agreed-upon metrics to measure and report on closing socio-economic gaps.

44. Indigenous Services Canada annually collects information from 10-year grant recipients. This information includes activities carried out by grant recipients.

Indigenous Services Canada did not measure the socio-economic impacts of the 10-year grants

Findings

45. We found that Indigenous Services Canada publicly reported the number of First Nations with 10-year grant agreements. However, the department did not report on the impacts of the 10-year grants on recipients.

46. We found that the Community Well-Being Index, which Indigenous Services Canada intended to use to measure the impacts of the 10-year grants, was not designed to isolate the impacts of the grants from the impacts of other funding and activities being undertaken by First Nations. The latest index was published in 2021, and the next index will be available in 2026.

47. As a result, Indigenous Services Canada has not yet assessed the grants' impacts on closing socio-economic gaps. It has been 7 years since the first 10-year grant recipients began receiving funding. In our view, the Community Well-Being Index was not an effective tool to measure the potential socio-economic impacts of the 10-year grants.

48. We also found that Indigenous Services Canada did not use the large amount of data that it was already gathering from First Nations to measure and report on the socio-economic impacts of the 10-year grants. This finding reflects a lost opportunity to assess the impacts of the grants and is consistent with what we found in our 2018 audit.

Recommendation

49. Indigenous Services Canada should leverage relevant data it collects from 10-year grant recipients to measure, assess, and annually report on the extent to which the grant contributes to closing the socio-economic gaps between First Nations receiving the grant and other Canadians.

The department's response. Agreed.

See [Recommendations and Responses](#) at the end of this report for detailed responses.

Conclusion

50. We concluded that Indigenous Services Canada did not effectively implement, monitor, and assess the results of the New Fiscal Relationship with First Nations.

About the Audit

This independent assurance report was prepared by the Office of the Auditor General of Canada on the government's New Fiscal Relationship with First Nations. Our responsibility was to provide objective information, advice, and assurance to assist Parliament in its scrutiny of the government's management of resources and programs and to conclude on whether the New Fiscal Relationship with First Nations complied in all significant respects with the applicable criteria.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook—Assurance.

The Office of the Auditor General of Canada applies the Canadian Standard on Quality Management 1—Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. This standard requires our office to design, implement, and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we complied with the independence and other ethical requirements of the relevant rules of professional conduct applicable to the practice of public accounting in Canada, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from entity management:

- confirmation of management's responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided
- confirmation that the audit report is factually accurate

Audit objective

The objective of this audit was to determine whether Indigenous Services Canada effectively implemented, monitored, and assessed the results of the New Fiscal Relationship with First Nations.

Scope and approach

The audit examined Indigenous Services Canada's progress to implement, monitor, and assess the results of the New Fiscal Relationship with First Nations. We examined whether the department met its commitments to replace the Default Prevention and Management Policy and to create a mutual accountability framework.

To examine whether Indigenous Services Canada applied the 10-year grant eligibility criteria, we selected a representative sample of 51 grant recipients. We assessed whether they qualified for the grant and whether the department monitored the ongoing eligibility of these grant recipients.

To examine whether Indigenous Services Canada provided the funding in accordance with the 10-year grant funding agreement amounts and timing as well as applied the grant escalator at a minimum of 2%, we selected a representative sample of 49 grant recipients' funding agreements with the department.

Both sample sizes were sufficient to conclude on the population with a confidence level of at least 90% that the margin of error was no greater than +10%.

To examine whether Indigenous Services Canada assessed the results of the 10-year grants, we analyzed documents and information from the department's databases.

We also interviewed Indigenous Services Canada officials at national headquarters and in regional offices and met with several First Nations and tribal councils.

We did not audit the First Nations Financial Management Board, the Assembly of First Nations or individual First Nations, tribal councils, First Nations health authorities, or First Nations education authorities.

Criteria

We used the following criteria to conclude against our audit objective:

Criteria	Sources
<p>Indigenous Services Canada implements an approach that identifies financial risks of First Nations in determining their eligibility for the 10-year grant. Further, for those First Nations who are interested but ineligible, Indigenous Services Canada assists them in capacity development so that they can qualify for the 10-year grant.</p>	<ul style="list-style-type: none"> • Memorandum of Understanding Between the Assembly of First Nations and Indigenous and Northern Affairs Canada, 2016 • United Nations Declaration on the Rights of Indigenous Peoples, 2007 • United Nations Declaration on the Rights of Indigenous Peoples Act Action Plan, Department of Justice Canada, 2023 • Truth and Reconciliation Commission of Canada: Calls to Action, 2015 • Addenda to Directive 205: Default Prevention and Management Policy, Indigenous Services Canada, 2018 • Government of Canada Response to the Standing Committee on Indigenous and Northern Affairs: Default Prevention and Management 2017 • Department of Indigenous Services Act
<p>Indigenous Services Canada creates and implements a mutual accountability framework, in collaboration with First Nations, that incorporates the commitments in the Memorandum of Understanding Between the Assembly of First Nations and Indigenous and Northern Affairs Canada.</p>	<ul style="list-style-type: none"> • Memorandum of Understanding Between the Assembly of First Nations and Indigenous and Northern Affairs Canada, 2016 • Department of Indigenous Services Act • United Nations Declaration on the Rights of Indigenous Peoples, 2007

Criteria	Sources
<p>Indigenous Services Canada repeals and replaces the Default Prevention and Management Policy in collaboration with First Nations that incorporates the commitments in the Memorandum of Understanding Between the Assembly of First Nations and Indigenous and Northern Affairs Canada.</p>	<ul style="list-style-type: none"> • Default Prevention and Management 2017: Report of the Standing Committee on Indigenous and Northern Affairs • Progress Report on the Implementation of the Default Prevention and Management 2017: Report of the Standing Committee on Indigenous and Northern Affairs • Government of Canada Response to the Standing Committee on Indigenous and Northern Affairs: Default Prevention and Management 2017 • Memorandum of Understanding Between the Assembly of First Nations and Indigenous and Northern Affairs Canada, 2016 • Replacement of the Default Prevention and Management Policy—Interim Directive, 2023
<p>Indigenous Services Canada collaborates with First Nations, tribal councils, and health authorities to establish and maintain clear and consistent eligibility criteria for the 10-year grant.</p>	<ul style="list-style-type: none"> • Memorandum of Understanding Between the Assembly of First Nations and Indigenous and Northern Affairs Canada, 2016 • A New Approach: Co-development of a New Fiscal Relationship Between Canada and First Nations, Assembly of First Nations and Government of Canada, 2017 • Honouring Our Ancestors by Trailblazing a Path to the Future: Interim Report of the Joint Advisory Committee on Fiscal Relations—For Engagement Purposes, 2019
<p>Indigenous Services Canada implements a clear and comprehensive process for reviewing which First Nations, tribal councils, and health authorities qualify for the 10-year grant.</p>	<ul style="list-style-type: none"> • Memorandum of Understanding Between the Assembly of First Nations and Indigenous and Northern Affairs Canada, 2016 • New Fiscal Relationship Grant Operational Guide, Indigenous Services Canada, 2024
<p>Indigenous Services Canada sets up and implements an effective monitoring regime to ensure that grant recipients continue to maintain their eligibility for the grant.</p>	<ul style="list-style-type: none"> • Memorandum of Understanding Between the Assembly of First Nations and Indigenous and Northern Affairs Canada, 2016 • New Fiscal Relationship Grant Operational Guide, Indigenous Services Canada, 2024
<p>Indigenous Services Canada provides funding in a timely manner to New Fiscal Relationship recipients.</p>	<ul style="list-style-type: none"> • New Fiscal Relationship Grant Operational Guide, Indigenous Services Canada, 2024

Criteria	Sources
Indigenous Services Canada consistently implements the grant across regional offices, across programs, and in application of the escalator.	<ul style="list-style-type: none"> • New Fiscal Relationship Grant Operational Guide, Indigenous Services Canada, 2024
Indigenous Services Canada monitors the implementation of the New Fiscal Relationship, including on whether it is achieving its intended results.	<ul style="list-style-type: none"> • Policy on Results, Treasury Board, 2016 • Department of Indigenous Services Act • 2019–20, 2020–21, 2021–22, 2022–23, and 2023–25 departmental results frameworks, Indigenous Services Canada • 2019–20, 2020–21, 2021–22, 2022–23, 2023–24, and 2024–25 departmental plans, Indigenous Services Canada

Period covered by the audit

The audit covered the period from April 1, 2019, to September 30, 2025. This is the period to which the audit conclusion applies. However, to gain a complete historical context and understanding of how the New Fiscal Relationship has evolved, we also examined relevant information and events that occurred before this time frame.

Date of the report

We obtained sufficient and appropriate audit evidence on which to base our conclusion on April 29, 2026, in Ottawa, Canada.

Audit team

This audit was completed by a multidisciplinary team from across the Office of the Auditor General of Canada led by Milan Duvnjak, Principal. The principal has overall responsibility for audit quality, including conducting the audit in accordance with professional standards, applicable legal and regulatory requirements, and the office's policies and system of quality management.

Recommendations and Responses

Responses appear as they were received by the Office of the Auditor General of Canada.

In the following table, the paragraph number preceding the recommendation indicates the location of the recommendation in the report.

Recommendation	Response
<p>40. Indigenous Services Canada should provide additional support to First Nations, including 10-year grant recipients, to increase their administrative and financial capacity to prepare financial statements.</p>	<p>The department's response. Agreed. Indigenous Services Canada recognizes that some First Nations, particularly small or remote communities, face administrative and financial capacity challenges, including limited access to private auditing services. These constraints can affect their ability to provide audited financial statements to their members, in accordance with First Nations' financial administration laws, and to Canada under funding agreement deadlines.</p> <p>The Band Support Funding program provides resources to help offset the costs of annual audits and other professional services. Additional efforts are underway to strengthen governance capacity and improve access to supports within the current fiscal context.</p> <p>Availability of the most recent audited financial statement for the Grant's annual ongoing eligibility monitoring improved to 65% in 2024-25, up from 39% in the audit sample. Indigenous Services Canada will target exceeding 70% of the most recent audited financial statements being available for the grant's 2025-26 monitoring process and rate is expected to continue improving with enhanced supports. As part of the co-developed 10-year Grant risk monitoring approach, Indigenous Services Canada also uses other data sources to assess ongoing eligibility and ensure support is available.</p>

Recommendation	Response
<p>49. Indigenous Services Canada should leverage relevant data it collects from 10-year grant recipients to measure, assess, and annually report on the extent to which the grant contributes to closing the socio-economic gaps between First Nations receiving the grant and other Canadians.</p>	<p>The department’s response. Agreed. Indigenous Services Canada publicly reports on progress toward New Fiscal Relationship commitments through its annual reports and website updates. It also maintains a comprehensive performance measurement framework for the Grant, with specific and measurable indicators.</p> <p>Recognizing that closing socio-economic gaps requires a long-term approach, ISC - through co-development with partners - uses Statistics Canada’s Community Well-Being Index to assess outcomes. This tool enables comparisons between Indigenous and non-Indigenous populations without adding reporting burdens on First Nations.</p> <p>Indigenous Services Canada recognizes the value of regular and timely reporting. As part of broader efforts to improve data availability, it will examine the feasibility of using program-level indicators, such as housing adequacy, income assistance dependency, and high school graduation rates to strengthen outcome reporting.</p> <p>Currently, 191 recipients benefit from the Grant’s predictability and flexibility to design and deliver core services. While self-determination is key, closing socio-economic gaps also depends on funding adequacy and economic development.</p>

Appendix—Text Descriptions of Exhibits

Here are the text descriptions of the exhibits.

Exhibit 1—Milestones in the development of the 10-year grant—Text description

This timeline shows the milestones related to the 10-year grant for the period from 2016 to 2025 as follows:

- 2016—Memorandum of understanding: Memorandum of Understanding Between the Assembly of First Nations and Indigenous and Northern Affairs Canada.
- 2017—New fiscal relationship: Officials from the assembly and the department developed recommendations to support the establishment of a new fiscal relationship with First Nations.
- 2019—Launch of the 10-year grant: First Nations began to receive the 10-year grant.
- 2021—10-year grant escalator: Introduction and implementation of the 10-year grant escalator.
- 2024—Expanding eligibility: First Nations–led service delivery organizations and self-governing First Nations became eligible to apply for the 10-year grant.
- 2025—10-year grant funding expanded: First Nations–led service delivery organizations began to receive the 10-year grant.

Source: Based on information from Indigenous Services Canada



Exhibit 2—There were 10-year grant recipients in all provinces—Text description

This map of Canada illustrates the distribution of 10-year grant recipients across Canadian provinces, categorized into First Nations, tribal councils, health authorities, and education authorities. The map indicates a total of 191 recipients across all provinces, which consist of 173 First Nations, 15 tribal councils, 2 health authorities, and 1 education authority. The map also details the number of each recipient type within specific provinces as follows:

- British Columbia: 82 First Nations and 3 tribal councils
- Alberta: 5 First Nations, 1 tribal council, and 1 education authority
- Saskatchewan: 20 First Nations and 4 tribal councils
- Manitoba: 13 First Nations and 1 tribal council
- Ontario: 23 First Nations, 2 tribal councils, and 1 health authority
- Quebec: 14 First Nations, 1 tribal council, and 1 health authority
- Newfoundland and Labrador: 1 First Nation
- Prince Edward Island: 1 First Nation
- New Brunswick: 5 First Nations and 1 tribal council
- Nova Scotia: 9 First Nations and 2 tribal councils

Notes:

- Data is as of September 2025.
- First Nations have been receiving 10-year grants since the 2019–20 fiscal year, while tribal councils, First Nations health authorities, and First Nations education authorities have been receiving 10-year grants since the 2025–26 fiscal year.

Source: Based on information from Indigenous Services Canada



Exhibit 3—A total of \$6.5 billion in 10-year grant funding had been provided to First Nations by the end of the 2024–25 fiscal year

This bar chart illustrates the annual 10-year grant funding provided to First Nations, measured in billions of dollars, across 6 fiscal years from 2019–20 to 2024–25.

Overall, the chart shows a consistent increase in 10-year grant funding provided to First Nations each fiscal year, starting at \$0.64 billion in 2019–20 and reaching \$1.68 billion in 2024–25.

The data presented is as follows:

- In the 2019–20 fiscal year, funding was \$0.64 billion.
- In the 2020–21 fiscal year, funding increased to \$0.79 billion.
- In the 2021–22 fiscal year, funding increased to \$0.91 billion.
- In the 2022–23 fiscal year, funding increased to \$1.11 billion.
- In the 2023–24 fiscal year, funding increased to \$1.36 billion.
- In the 2024–25 fiscal year, funding increased to \$1.68 billion.

Note: Final data for the 2025–26 fiscal year was not available at the time of our audit.

Source: Based on information from Indigenous Services Canada



Exhibit 4—The number of grant recipients increased every year from the 2019–20 fiscal year to September 2025

This bar chart shows the number of 10-year grant recipients from the 2019–20 to 2025–26 fiscal years.

Overall, the chart shows a consistent annual increase in the total number of 10-year grant recipients, starting from 85 in the 2019–20 fiscal year and reaching 191 in the 2025–26 fiscal year.

The data presented is as follows:

- In the 2019–20 fiscal year, there were 85 First Nations receiving the grant.
- In the 2020–21 fiscal year, the number increased to 111 First Nations.
- In the 2021–22 fiscal year, the number increased to 117 First Nations.
- In the 2022–23 fiscal year, the number increased to 130 First Nations.

- In the 2023–24 fiscal year, the number increased to 143 First Nations.
- In the 2024–25 fiscal year, the number increased to 160 First Nations.
- In the 2025–26 fiscal year, the total number of recipients reached 191, consisting of 173 First Nations, 15 tribal councils, 2 health authorities, and 1 education authority.

Note: Tribal councils and other First Nations–led service organizations became eligible to apply for the 10-year grant in 2024 and began receiving the grant starting in the 2025–26 fiscal year.

Source: Based on information from Indigenous Services Canada



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