

Aboriginal Affairs and Northern Development Canada

Internal Audit Report

Follow-up Audit of Capacity Development

Prepared by:

Audit and Assurance Services Branch

Project #: 13-39

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ACRONYMS

AANDC	Aboriginal Affairs and Northern Development Canada
AFOA	Aboriginal Financial Officers Association
ADM	Assistant Deputy Minister
BC	British Columbia
CDPP	Capacity Development Partnerships Program
CFO	Chief Financial Officer
CDCBF	Community Development and Capacity Building Framework
CWB	Community Well-Being Index
DPMP	Default Prevention and Management Policy
DPR	Departmental Performance Reports
FNCDF	First Nations Capacity Development Framework
FNFMB	First Nations Financial Management Board
GA	General Assessment
GCPT	Governance Capacity Planning Tool
HRSDC	Human Resources and Skills Development Canada
MFNERC	Manitoba First Nations Education Resource Centre Inc.
MOU	Memorandum of Understanding
NAO	Northern Affairs Organization
PMF	Performance Measurement Framework
PSD	Policy and Strategic Direction
RO	Regional Operations
RPP	Reports on Plans and Priorities
SPI	Strategic Partnership Initiative

EXECUTIVE SUMMARY

Background

In June 2009, the Audit and Assurance Services Branch (AASB) completed an Audit of Capacity Development which concluded that, while a number of programs have been developed to support capacity development, AANDC lacked a coordinated, risk-based, strategic approach to the design, delivery and implementation of capacity development programming. A Follow-up Audit of Capacity Development was identified by AASB in the 2013-14 to 2015-16 Risk-Based Audit Plan approved by the Deputy Minister on February 27, 2013.

AANDC has implemented a variety of programs with the objective of increasing capacity development at the individual, community, and organization levels. For 2012-13, AANDC's spending on programs identified by the Department as capacity development totaled approximately \$526M. Table 1 on page 7 of this report breaks down these investments into the Formula-based (\$389M) and Proposal-based programs (\$137M) included in this figure.

Audit Objective and Scope

The objectives of the audit were to assess: (i) the adequacy and effectiveness of departmental controls for designing, approving, integrating and reporting on capacity development programs; and, (ii) the appropriateness of the design of region and sector controls for delivering capacity development programming in an integrated, efficient and effective manner.

The scope of the audit covered the period April 1, 2009 to March 31, 2013 and included assessments of:

- the integration and design of capacity development programming, including linkages with other federal funders. Programming considered in this portion of the audit included programs designed to support capacity development within First Nation community governments, First Nation program service delivery organizations, First Nation institutions of government, First Nation economic development organizations and businesses, and with First Nation leaders and professionals.
- performance measurement, research and analysis activities that support design and redesign of capacity development programs and program investment decision-making processes.
- the integration of departmental processes and structures for making capacity development investment decisions, including, recipient risk and capacity assessment processes, program and regional investment decision-making processes, and default prevention and management processes. Programming considered in this portion of the audit included programs designed to support capacity development within First Nation community governments and First Nation institutions of government.

The audit did not include assessments of the effectiveness of regional and program systems and controls for administering and monitoring funding agreements with recipients.

Statement of Conformance

The Follow-up Audit of Capacity Development conforms with the *Internal Auditing Standards for the Government of Canada*, as supported by the results of the quality assurance and improvement program.

Observations

AANDC is gradually repositioning its approaches and programs to support First Nations in obtaining, strengthening and maintaining the capabilities necessary to set and achieve their objectives. Between 2009 and 2013, the Department, led principally by Regional Operations (RO) Sector, made progress in improving capacity development approaches on several fronts. In the fall of 2010, the General Assessment (GA) was developed by the Chief Financial Officer (CFO) Sector, RO Sector and other stakeholders to permit greater consideration of risk and needs in funding decisions. Between 2011 and 2013, the GA was adjusted and expanded to improve calibration and include greater coverage of specific programs, including Health Canada programs. In 2011-12, RO Sector began implementing its First Nations Community Development Framework (FNCDF) by performing a pilot roll-out to seven communities, expanding this pilot to four additional communities in 2012-13.

While RO sector and CFO sector have made some progress, our audit found that most regions and programs have made limited progress in designing and implementing integrated, strategic and coordinated approaches to capacity development. While many AANDC programs have made advances in how they support and reinforce capacity-related aspects within their own programs, few seek opportunities to create synergies with other programs and funders and to contribute to broader capacity-related objectives of First Nations communities, people, leaders, and professionals. Further, the capacity development assessment and planning tools developed by RO Sector and CFO Sector are not yet being leveraged in a consistent way by programs and regions to guide capacity development investments.

Conclusion

The audit found that departmental controls for designing, integrating and reporting on capacity development programs have improved significantly since the audit of Capacity Development in 2009, but require continued strengthening. The audit found that controls for approving capacity development programs were appropriate and effective. Further, the audit found that departmental controls for delivering capacity development programming in an integrated, effective and efficient manner have improved significantly since the audit of Capacity Development in 2009, but require continued strengthening.

Recommendations

The audit identified areas where the Department's capacity development approaches and programs could be strengthened. Our recommendations include those designed to address the longer term challenge of integrating and designing better federal capacity development programs and those designed to achieve more immediate improvements to existing capacity development approaches and programs.

1. AANDC should strengthen the focus on capacity development in its proposed policies and program activities through the following actions:
 - i. The Senior ADM PSD, with the support of the Senior ADM RO, the CFO, and the ADM NAO, should work with all ADMs to establish departmental capacity development priorities and/or principles to guide the Department in making improvements to its capacity development policies and program activities. Due consideration should be given to opportunities for each program to enforce synergies with other programs and support the broader capacity development needs of First Nations communities, people, institutions and professional organizations.
 - ii. The Senior ADM PSD, with the support of the Senior ADM RO, the CFO, and the ADM NAO, should work with all ADMs to ensure that the policy development and program design and approval functions of the Department include an appropriate process and challenge function to ensure that the Department's capacity development principles and/or priorities are considered and reflected in all policy and program proposals, and that planned capacity development activities are sufficient to achieve the Department's capacity development priorities.
2. The Senior ADM PSD, with support of all AANDC senior executives, should:
 - i. Facilitate the establishment of research and data analysis priorities to support the Government of Canada in improving First Nations capacity development approaches and programming; and
 - ii. Review and clarify the department's role as a coordinator and facilitator of research and programming focused on First Nations capacity development, with other Government departments, academia and other stakeholders interested in researching and investing in First Nations capacity development.
3. The Chief Financial Officer, with support of the Senior ADM RO and ADM NAO, should review and improve linkages between the General Assessment, Default Prevention and Management regime and capacity development program activities to ensure that First Nations with the greatest capacity development needs and potential are given appropriate focus by regions and programs.
4. The Senior ADM RO, with support of the Chief Financial Officer, Senior ADM PSD and program ADMs, should analyze the Department's capacity development investments across

regions and programs to determine whether program and community-level approaches and funding allocations are informed by the capacity-related needs of communities, considerate of risk, and aligned with departmental priorities for capacity development.

Based on the results of analysis, and guided by AANDC's immediate capacity development priorities, the Senior ADM RO and program ADMs, with support of the Chief Financial Officer, should act upon opportunities to strengthen capacity development activities within each AANDC program.

Management Response

Management is in agreement with the findings, has accepted the recommendations included in the report, and has developed a management action plan to address them. The management action plan has been integrated in this report.

1. BACKGROUND

Capacity Development is the process through which individuals, organizations, and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives over time.

From AANDC's perspective, capacity development plays a central role in contributing to the Department's mandate of supporting Aboriginal people (First Nations, Inuit and Métis) and Northerners in their efforts to: improve social and economic prosperity; develop healthier, more sustainable communities; and, participate more fully in Canada's political, social and economic development to the benefit of all Canadians. To that end, AANDC has implemented a variety of programs with the objective of increasing capacity development at the individual, community, and organization levels.

In June 2009, Audit and Assurance Services Branch completed an Audit of Capacity Development which concluded that, while a number of programs have been developed to support capacity development, AANDC lacked a coordinated, risk-based, strategic approach to the design, delivery and implementation of capacity development programming.

Between 2009 and 2011, the Department, led by Governance Branch of the Regional Operations (RO) Sector examined the concept of consolidating approximately 30 capacity development programs with total funding of \$641M under a horizontal authority. During this time, senior managers from across the department worked collaboratively in developing a model performance measurement strategy and logic model for capacity development. During 2012 and 2013, momentum slowed on capacity development initiatives. Despite these challenges in progressing on horizontal initiatives, RO Sector continued to make progress on several fronts.

In 2011-12, the RO Sector began promoting and seeking department-wide acceptance of its First Nations Community Development Framework (FNCDF). In 2012-13, 11 CDF demonstration projects were executed to test the FNCDF principles. The FNCDF integrates capacity needs assessment and targeted investments, drawing on several capacity development programs of RO Sector. In 2012-13, in collaboration with Health Canada, which had also been working on promoting a community-based development framework, the two approaches were merged and work began on developing a single approach to community development between the two departments. In support of the FNCDF, RO Sector finalized and deployed the Governance Capacity Planning Tool (GCPT), a tool designed to allow First Nations communities to self-assess their governance-related needs and develop a community-focused multi-year plan to strengthen community governance. Some regions used the GCPT and resulting plans to inform some of their capacity development investments in 2012-13. RO Sector reported that 53% of First Nations have completed a governance self-assessment in 2012-13, with strongest adoption in Ontario, where 117 of 127 First Nations have completed the process.

In the fall of 2010, the General Assessment (GA) was developed by CFO Sector, RO Sector and other stakeholders to permit greater consideration of risk and needs in funding decisions. The GA, currently in its third version, is adjusted and expanded each year to improve calibration

and include greater coverage of specific programs, including Health Canada programs. Capacity development is also a central focus of the Department's *Default Prevention and Management Policy* (DPMP), implemented in 2011 as a replacement to the former Intervention Policy. One of the aims of the DPMP is to “support community capacity development so that communities continue to increase their ability to self-manage and prevent default and default recurrence”.

At the regional level, there has also been some progress toward a more strategic and coordinated approach to community capacity development. In BC Region, the Community Initiatives Unit was formed in 2012-13 to support comprehensive community planning and oversee capacity development investments for First Nations communities with the highest capacity related needs. BC Region also uses a cross directorate approach to review and provide input on community development plans and proposals.

Other regions have also introduced approaches to support community capacity development. Between 2007 and 2011, Saskatchewan Region implemented Comprehensive Community Based Planning in collaboration with Health Canada, Saskatchewan Tribal Councils and the Cities and Environment Unit at Dalhousie University. Yukon Region sponsors an annual First Nation Governance Capacity Conference in partnership with the Yukon Government and the Council of Yukon First Nations. Ontario Region is working with First Nations in Northwestern Ontario to increase their capacity to seize resource development opportunities in the “Ring of Fire” region. Led by RO Sector in 2012-13, regional staff involved in capacity development formed a Community Development Framework Managers Network as a community of practice for sharing of information and best practices.

In 2011-12, CFO Sector updated financial account codes to make tracking of capacity development investments possible. These financial codes capture most of the department's capacity development programs focused at communities and Aboriginal organizations, but do not include all capacity development aspects of specific programs (e.g. education programming, social services, income assistance active measures, etc.). For 2012-13, AANDC's spending on programs labeled as capacity development totaled approximately \$526M. The table below breaks down these investments into Formula-based Core Funding (\$389M) and Proposal-based and Targeted Funding (\$137M).

Table 1: AANDC 2012-13 Capacity Investments - Formula-driven Core Funding (\$millions)

	First Nation Bands	Tribal Councils	Other	Total
Formula Driven Funding (i.e. core funding and formula-based programs)				
Band Support Funding	150.4	0.3	0.9	151.6
Indian Government Support ¹	85.5	26.8	3.1	115.4
Band Employee Benefits	45.8	4.6	2.1	52.5
Tribal Council Funding	-	27.3	2.0	29.3
Aboriginal Representative Organizations	-	-	23.6	23.6
FNFSMA Institutions	-	-	12.5	12.5
Other Programs	0.8	0.6	2.4	3.8
Total	282.5	59.6	46.6	388.7

Table 2: AANDC 2012-13 Capacity Investments – Proposal Driven and Targeted Programs (\$millions)

	First Nation Bands	Tribal Councils	Other	Total
Proposal Driven Funding (i.e. proposal-based funding and targeted projects)				
Community Economic Development	39.6	9.0	5.4	54.0
Consultation and Policy Development	1.6	1.0	17.7	20.4
Professional & Institutional Development	9.0	1.5	2.3	12.8
Education	1.6	0.7	11.6	13.8
Circuit Rider Training	2.9	3.3	4.8	11.0
Community Support Services Program	0.2	0.4	7.7	8.3
Social Development	-	0.3	4.1	4.4
RLEMP / RLAP	9.0	0.3	2.2	11.5
Band Advisory Services (ceases as of 2014-15)	1.2	-	-	1.2
Total	65.1	16.5	55.8	137.4

As detailed in the above tables, \$65M of AANDC's \$526M of capacity development spending is targeted at specific capacity building initiatives within First Nations communities. The balance of the funding is either formulaic (\$389M or 74%) or targeted at other organizations. More detailed spending by program and region are included in Appendices D, E and F.

¹ Figure includes Band Support Funding, Band Employee Benefits and Band Advisory Services for First Nation Bands and Tribal Council Funding and Band Employee Benefits for Tribal Councils, as some communities receive all of their funding under the Indian Government Support Program authority rather than through the individual program authorities.

2. AUDIT OBJECTIVES AND SCOPE

2.1 Audit Objectives

The objectives of the audit were to assess:

- i) the adequacy and effectiveness of departmental controls for designing, approving, integrating and reporting on capacity development programs; and
- ii) the appropriateness of the design of region and sector controls for delivering capacity development programming in an integrated, efficient and effective manner.

2.2 Audit Scope

The scope of the audit covered the period April 1, 2009 to March 31, 2013 and included assessments of:

- the integration and design of capacity development programming, including linkages with other federal funders. Programming considered in this portion of the audit included programs designed to support capacity development within First Nation community governments, First Nation program service delivery organizations, First Nation institutions of government, First Nation economic development organizations and businesses, and with First Nation leaders and professionals.
- performance measurement, research and analysis activities that support design and redesign of capacity development programs and program investment decision-making processes.
- the integration of departmental processes and structures for making capacity development investment decisions, including recipient risk and capacity assessment processes, program and regional investment decision-making processes and default prevention and management processes. Programming considered in this portion of the audit included programs designed to support capacity development within First Nation community governments and First Nation institutions of government.

The audit did not include assessments of the effectiveness of regional and program systems and controls for administering and monitoring funding agreements with recipients.

3. APPROACH AND METHODOLOGY

The audit was conducted in accordance with the requirements of the Treasury Board *Policy on Internal Audit* and followed the *Internal Auditing Standards for the Government of Canada*. The audit examined sufficient, relevant evidence and obtained sufficient information to provide a reasonable level of assurance in support of the audit conclusion.

The audit team conducted fieldwork through interviews with AANDC headquarters and regional staff, questionnaires of regions and programs, documentation review, analysis of capacity development spending for years 2009-10 to 2012-13, analysis of AANDC program authorities, analysis of AANDC capacity assessment and planning processes and tools, and analysis of capacity development processes and governance structures at the level of the Department, Sectors and Regions.

For purposes of assessing integration and design of capacity development programming, performance measurement, research, and analysis activities, the following AANDC programs were selected for inclusion: Reserve Land and Environment Management Program, First Nations Child and Family Services, Elementary and Secondary Education, First Nations Land Management, Aboriginal Representative Organizations, Professional and Institutional Development, and Tribal Council Funding. These programs were selected on the basis of materiality and the extent to which they could be employed to target capacity development investments.

For purposes of assessing the integration of departmental processes and structures for making capacity development decisions, all AANDC Regions were included in the scope of our audit.

4. CONCLUSION

The audit found that departmental controls for designing, integrating and reporting on capacity development programs have improved significantly since the audit of Capacity Development in 2009, but require continued strengthening. The audit found that controls for approving capacity development programs were appropriate and effective. Further, the audit found that departmental controls for delivering capacity development programming in an integrated, effective and efficient manner have improved significantly since the audit of Capacity Development in 2009, but require continued strengthening.

Opportunities to strengthen controls were identified in the following areas: clarity of expected outcomes and objectives; planning and priority setting; performance measurement, research and evaluation; use and calibration of recipient assessment tools; approach to funding capacity development in First Nations communities that are in default of their funding agreements; and alignment of departmental spending to capacity development priorities.

5. FINDINGS AND RECOMMENDATIONS

Based on the evidence gathered through examination of documentation, analysis and interviews, each audit criterion was assessed by the audit team and a conclusion for each was determined. Where a significant difference between the audit criterion and the observed practice was found, the risk of the gap was evaluated and used to develop a conclusion and to document recommendations for improvement.

5.1 Departmental Approach to Capacity Development

5.1.1 Governance and Direction

Since 2009, AANDC's Senior Management has emphasized the need for the Department to better understand the capacity development needs of First Nation communities and to evolve the Department's approaches and programs to better meet these needs. The timeline included in Appendix C depicts the major capacity development related activities undertaken in the Department between 2009 and 2013.

In 2011, the Senior Assistant Deputy Minister (ADM), Regional Operations (RO), was assigned the role of Champion to create a focal point for the Department's capacity development activities with a view to "modernize departmental capacity programming". During 2011-12, the Department's progress in furthering capacity development initiatives was limited; however, renewed push to advance capacity development priorities was evident in 2012-13.

Capacity development has been reflected in departmental priorities in the Department's Reports on Plans and Priorities (RPP) for the years 2010-11 to 2013-14 under the broader headings of "Improving Partnerships and Relationships" and "Transforming for Improved Results". Specific plans are identified each year to "Facilitate Community Development and Capacity"; however, these are generally specific initiatives of the RO Sector and are not representative of the comprehensive suite of AANDC programming. As a result, there is no clearly articulated direction or roadmap for the capacity development investments of the Department. Where capacity development program activities and initiatives were outlined in the RPP, related plans are reflected in Sector business plans and results achieved are fairly presented in the Department's Departmental Performance Reports (DPR). As well, many departmental initiatives currently underway will contribute, over time, to the ability of the Department to more effectively plan for, implement and report on capacity development initiatives (e.g., improvements to recipient reporting requirements, better linkages with Health Canada, and realignment of the Program Alignment Architecture and Performance Measurement Framework).

Considering the importance of capacity development to the Department, we expected to find departmental policy development, and program design and approval processes that require program managers to demonstrate that capacity development has been explicitly considered in their policy and program proposals. Moreover, we expected to find established departmental capacity development principles to guide policy and program staff in developing their policy and program proposals. However, we did not find a policy framework to guide or ensure consideration of capacity development in all policy and programming proposals (e.g., opportunities to integrate with other programs, opportunities to provide options for First Nations of different sizes and capacity levels, opportunities to work with and leverage investments of other capacity other funders, etc.). In the absence of a centrally driven mandate, AANDC Sectors are responsible for developing policy and programming options for new or redesigned programs with the support of their own policy advisors and input from capacity development program staff of RO Sector and policy advisors in PSD Sector.

Even though there is no specific requirement for program managers to demonstrate consideration of capacity development needs, there is evidence that managers consider it when designing and redesigning their programs. Several programs have recently raised the prominence of capacity development in their program design and delivery approaches. Examples include:

- the Northern Communities Opportunities Fund initiative aimed at leveraging industry investments to generate economic stimulus and infrastructure investment in remote First Nations communities;
- innovative approaches to management of water and wastewater operations on reserve;
- community-based focus of economic development investments;
- increased focus on active measures in the income assistance program to increase employability of First Nations people; and,
- added focus has been placed on supporting First Nations who want to manage their reserve lands by providing them with funds to strengthen their capacity.

Recommendation

1. AANDC should strengthen the focus on capacity development in its proposed policies and program activities through the following actions:
 - i. The Senior ADM PSD, with the support of the Senior ADM RO, the CFO, and the ADM NAO, should work with all ADMs to establish departmental capacity development priorities and/or principles to guide the Department in making improvements to its capacity development policies and program activities. Due consideration should be given to opportunities for each program to enforce synergies with other programs and support the broader capacity development needs of First Nations communities, people, institutions and professional organizations.
 - ii. The Senior ADM PSD, with the support of the Senior ADM RO, the CFO, and the ADM NAO, should work with all ADMs to ensure that the policy development and program design and approval functions of the Department include an appropriate process and challenge function to ensure that the Department's capacity development principles and/or priorities are considered and reflected in all policy and program proposals, and that planned capacity development activities are sufficient to achieve the Department's capacity development priorities.

5.1.2 Design and Integration of Capacity Development Programs

The Department has made progress towards developing a community-based capacity development approach for First Nations communities with its Community Development and Capacity Building Framework (CDCBF). The approach, developed jointly with Health Canada, is community-focused and instituted in partnership with First Nations communities. The CDCBF reinforces accountability relationships between First Nations governments and their constituents, and has been piloted in various First Nations communities. Thus far, the CDCBF

pilot projects have focused primarily on community governance-related issues, drawing on funding made available through the Professional and Institutional Development program administered by the RO Sector. The CDCBF is not yet well integrated with other AANDC programs and the Department's plans for further integration are unclear.

As mentioned earlier in this report, many of the AANDC programs directed at First Nations have been updated in recent years with increased emphasis on capacity development. Examples include:

- the Income Assistance Program has worked with Human Resources and Skills Development Canada (HRSDC) to introduce Active Measures and Enhanced Service Delivery initiatives aimed at assessing individual employment readiness and overcoming barriers to employability;
- the Reserve Land and Environment Management Program has been introduced to support First Nations that wish to exercise increased responsibility over their reserve land, resources and environment. By enabling First Nations to take responsibility for *Indian Act* land management activities on behalf of AANDC, communities are able to build their internal capacity and more nimbly seize opportunities;
- the Community Infrastructure Branch has shifted its funding approach for the Community Infrastructure Program to promote medium-term infrastructure planning within communities. This approach builds planning skills within communities and provides them with a roadmap for development; and,
- the progress made by several institutions of First Nations government and professional associations, with AANDC support, in building their own capacity and the capacity of First Nations they serve (e.g. First Nations Lands Advisory Board, First Nations Financial Management Board, Aboriginal Financial Officers Association and National Aboriginal Lands Managers Association).

While noteworthy progress is being made within specific AANDC programs, we found few examples of programs working together to create synergies and leverage capacity development investments.

Our interviews with departmental staff also indicated that there are different interpretations of the Department's objectives and role vis-à-vis capacity development. For example, some program and regional managers see AANDC's role as that of an enabler, while others see the Department as having a more explicit role as that of a catalyst. Similarly, most headquarters-based program managers interviewed believe the Department should take a program-based approach to capacity development, while the regions tended toward a community-centric approach. This difference in perspective reinforces the need for clear capacity development principles to guide both program and regional managers.

5.1.3 Measuring Results of Capacity Development Programming

AANDC's Performance Measurement Framework (PMF) includes very little linkage to Capacity Development. This is indicative of early-stages Capacity Development programming and a lack of research and analysis to support linkages. For example, the 2011-12 AANDC RPP indicates that, for the Government Strategic Outcome, the performance indicator is the "Labour force and income components of the Community Well-Being Index (CWB)". However, targets were not set due to the lack of current CWB data and, as a result, the performance indicator does not provide any evidence as to progress on Capacity Development issues.

For the Program Activity "Governance and Institutions of Government" the program performance indicators are "Percentage of First Nations operating with a plan to develop governance capacity" and "Percentage of First Nations free of financial intervention". While the Department did report on these results in the DPR, the performance indicators are not well linked to the Government Strategic Outcome, nor are they representative of overall progress towards enhanced First Nations capacity levels.

While a comprehensive Capacity Development Performance Measurement Strategy does not currently exist, Regional Operations supported the development of model departmental performance measurement strategy and logic model for capacity development programming in 2011. These documents were developed in the context of a department-wide effort to explore a horizontal approach to delivering capacity development programming. While not implemented, this performance measurement strategy and logic model could serve as a well-developed starting point for evolving departmental capacity development objectives and principles.

During our audit, the Department was undertaking a review of its Program Alignment Architecture and its Departmental PMF; however, it remains unclear whether this review will suggest that capacity development take greater prominence in the departmental PMF.

5.1.4 Evidence-based Research to Support Policy Development and Program Design

In completing our audit, we expected to find that policy and program proposals were supported with evidence-based research, strong data analysis, and results of evaluations. Ideally, research and data-analysis would be performed by objective researchers outside of AANDC, for example, academia, research foundations, and other research-oriented organizations. In respect of capacity development for Canadian First Nations, we found that very little research on causal factors of successful communities has been completed and few researchers are focused on this topic. It is important to note that this gap is not the result of a lack of researchers focused on studying the Canadian First Nations issues; we identified over 15 Canadian Universities and institutes that have substantial programs and research focused on the study of Aboriginal issues, including First Nations University of Canada, University of Toronto, University of Western Ontario, University of Ottawa, University of Manitoba, University of Winnipeg, and University of British Columbia among many others. Further, in Budget 2013, the Government of Canada announced an investment of \$5M over five years to fund the position of a Chair in Aboriginal Business Studies at Cape Breton University.

AANDC's Audit and Evaluation Sector has performed some evaluations in recent years that have evaluated the relevance and performance of capacity development approaches²; however these evaluations provide a small band of coverage of the current and possible capacity development approaches. Additional evaluations of capacity development approaches would require a strong base of performance information, research and analysis.

In the absence of Canadian centric research on the causal factors behind sustainable community capacity development, AANDC places greater reliance on data and research from the American and international development contexts. AANDC officials note that this research is applicable, but lacks consideration of the unique characteristics of the Canadian context³.

Our audit found that within AANDC, responsibility for funding and performing research rests with each program, with PSD Sector providing support to programs as required. While the Department has a three-year research plan, consolidated by PSD Sector in consultation with all Sectors, it does not include capacity development research priorities. Our interviews with departmental officials highlighted that, for research on horizontal issues such as capacity development, the decentralized approach to research is a barrier. Neither PSD Sector nor RO Sector is playing a coordinating role with other federal partners on First Nations focused research and analysis.

Similarly, in the absence of a clear home for research on First Nations capacity development outside of the Federal Government, it is unclear whether AANDC should take a more leading role by promoting topics of research with academics and/or advising companies and not-for-profits looking to invest in First Nations oriented research and programming. Our analysis of trends highlighted that Canadian universities, resource development companies and other benefactors are eager to invest in research and programming focused at First Nations. However, AANDC has not played a meaningful role in engaging with and encouraging them to focus on topics related to capacity development. We found that it was unclear whether AANDC should play a facilitation and advisory role with research organizations and interested investors to help improve chances for success (i.e. similar to how the AANDC Strategic Partnerships Initiative facilitates resource development, but serving as a centre of expertise on capacity development of First Nations communities, leaders, youth, professionals, institutions and other organizations).

² Examples of recent evaluations include: 2011 Evaluation of the Comprehensive Community-based Planning Pilot Project in Saskatchewan, 2010 Evaluation of the Intervention Policy, 2010 Evaluation of the Miawpukek First Nation Grant Agreement, 2009 Evaluation of the Indian Government Support Programs; and 2009 Horizontal Evaluation of the National Aboriginal Achievement Foundation.

³ Some examples of differences in the Canadian context which require consideration include: 339 of 615 Canadian First Nations communities have populations under 750 people while US communities are on average much larger; the Tribal Council system in Canada adds complexity to program delivery and accountability relationships; elections under the Indian Act differ in process and frequency from most US First Nations; systems for land use and rights make development and resource exploitation complex.

Recommendation:

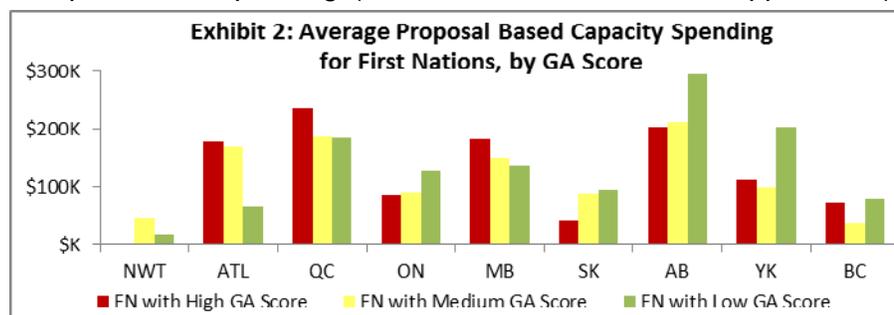
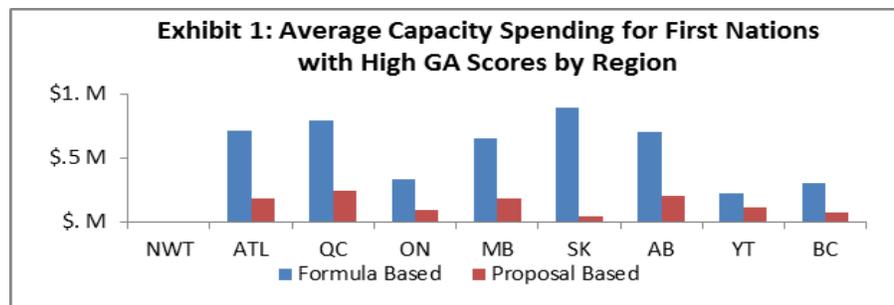
2. The Senior ADM PSD, with support of all AANDC senior executives, should:
 - i. Facilitate the establishment of research and data analysis priorities to support the Government of Canada in improving First Nations capacity development approaches and programming; and,
 - ii. Review and clarify the department's role as a coordinator and facilitator of research and programming focused on First Nations capacity development, with other Government departments, academia and other stakeholders interested in researching and investing in First Nations capacity development.

5.2 Implementation of Capacity Development Approaches and Programs

5.2.1 Design and Use of Assessment Tools to Focus Capacity Development Investments

While AANDC has made significant progress in developing processes and tools to assess the capacity and capacity related needs of First Nations communities, greater refinement is required before the

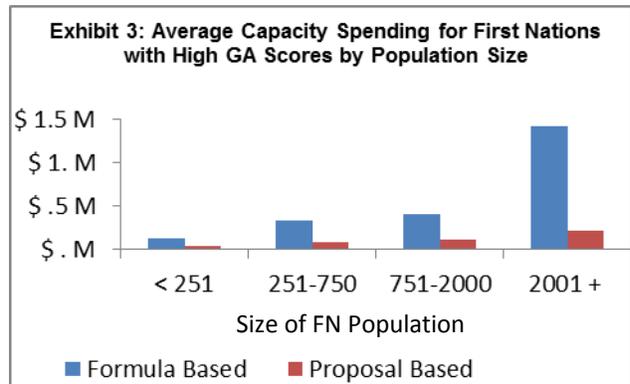
results of these assessments can meaningfully drive allocation decisions for capacity development investments. Most notably, the General Assessment (GA) tool was implemented in 2010 to introduce more formal consideration of recipient capacity into the selection of funding approaches and recipient administrative requirements. Our questionnaires of regional approaches and analysis of departmental spending (see Exhibits 1 and 2, and Appendix E) found that some regions are devoting a higher proportion of their proposal-based capacity development funds on First Nations that have high GA scores⁴, and thus higher capacity-



⁴ GA scores are inversely related to capacity levels, thus a high GA score would logically indicate a low performing or low capacity community.

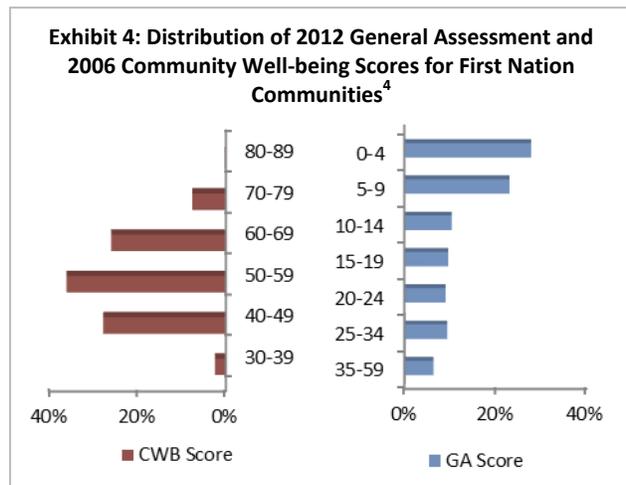
related needs⁵ (i.e. Manitoba, Quebec and Atlantic). On the contrary, other regions are attributing higher levels of proposal-based capacity development to First Nations with lower GA scores (i.e. British Columbia, Ontario, Yukon, Saskatchewan, Northwest Territories and Alberta). This could be attributable to a number of factors that our audit did not study in depth (e.g. Saskatchewan Region appears to leverage Tribal Councils more than some other regions, BC Region and Manitoba Region appear to fund capacity development organizations and professional associations more than other regions).

We performed further analysis of spending giving consideration to both the relative size of a First Nation community and their GA score. Our analysis, summarized in Exhibit 3, indicates that on average, smaller First Nations with high GA scores⁴ receive considerably less proposal-based capacity development funding than larger First Nations with high GA scores. While this distribution may seem reasonable at first glance, several program and regional managers highlighted that the administrative burdens of First Nation communities is not proportionate to the size of the community (e.g. one band council, one band office, one financial controller, one fire chief, one infrastructure manager, etc.).



Interviews and questionnaires conducted with AANDC regions indicate that regions do consider GA results when setting priorities and making investment decisions for capacity development, yet our analysis indicates variation in funding decisions. This inconsistency of approach from region to region reinforces the need for clear departmental messaging on capacity development priorities and principles. It also raises questions about why GA scores are more influential in driving investments in some regions than in others.

Our analysis and interviews indicated that some AANDC officials believe that the GA is not yet a strong predictor of First Nations' capacity-related needs. The graph in Exhibit 4 shows that Community Well Being scores have a very different distribution than GA scores. This raises some question about the current ability of the GA tool to predict community capacity needs. The audit did not perform correlation analysis to determine whether a subset of GA criteria would have more positive correlation with Community



⁵ Due to restrictions in available statistics, population figures used as the basis of this analysis were the total populations of each First Nation (as reported in the 2006 Census) and not the on-reserve populations, which would have been a more meaningful basis.

Well Being Scores or some other measure of community health and/or capacity.

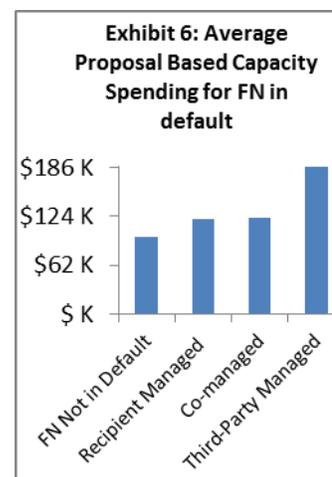
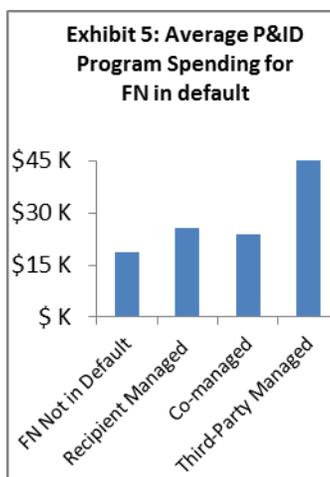
In addition to the GA, the Governance Capacity Planning Tool (GCPT) was recently introduced to enable First Nations to self-assess their governance capacity and to develop governance development plans. Our regional interviews and questionnaires indicate that, while the tool is gaining traction and wide-spread use by First Nations, many of the existing governance development plans lack the sophistication and thoroughness intended through the completion of the GCPT. The achievement of more noteworthy advancements through the GCPT and resulting plans will likely require greater involvement of trained governance experts to support First Nations. Presently, there are few regional staff trained in governance development and, as a result, communities are receiving limited support from AANDC regional offices. In AANDC's Ontario Region, the Governance Development Network, an organization focused on First Nation governance, is supporting First Nations in performing these assessments. Similar organizations were not identified in other AANDC regions.

Many other program specific tools and methodologies have been introduced over the last two years including economic development and lands management readiness assessments, and the Education Organization Planning Tool. These tools focus on program-specific capacity assessments and there is limited integration with community-level assessments. Interviews and questionnaires with program managers found that there are limited examples of programs working at cross-purposes with each other to leverage existing capacity development tools and methodology, and capacity-building opportunities.

5.2.2 Capacity Development Investments and Default Prevention and Management

The *Default Prevention and Management Policy* (DPMP) was introduced in June 2011 as a replacement for the former *Intervention Policy*. The DPMP reinforces the need to support community capacity development so that communities continue to increase their ability to self-manage thereby reducing the probability of default and default recurrence. While capacity development is a stated aim of the DPMP, our audit found that regions are given autonomy in devising approaches and finding funding to achieve this policy aim.

The only ear-marked funding made available to AANDC regions for funding remedial action plans of communities in default was drawn from the preexisting Professional and Institutional Development (P&ID) program. Our analysis indicates that, in 2012-13, a total of \$9M of P&ID Program funds was invested in 240 First Nations community-led initiatives. Of these investments,



\$4.2M was directly invested in 87⁶ initiatives with First Nations that were in one of the three levels of default. This indicates that 71 of 158 First Nations in default received no P&ID funding for implementation of management action plans. Our analysis of all proposal based capacity development spending for First Nations highlights that average annual proposal based capacity development spending for twelve First Nations under Third Party Management is \$187K per year, which is considerably higher than average spending on First Nations in less severe levels of default and not in default (see Exhibit 6). Interviews with program and regional managers suggest differing perspectives about whether First Nations under Third Party Management should receive higher levels of capacity development funding than their counterparts who are not in default.

Looking more closely at spending on First Nations in default (see Appendix F), we found that regions appear to have differing approaches and philosophies. Some regions are investing considerably more in First Nations communities in default (Atlantic, Quebec, Manitoba, Alberta and Yukon) while other regions are investing less in First Nations in default (Ontario, Saskatchewan, and British Columbia). Further study of these observations is warranted to better understand why this is occurring, including whether some regions are opting to leverage Tribal Councils and other organizations to support recipients in default rather than flowing funding directly to the First Nation in question.

Despite receiving higher proposal-based capacity funding than other First Nations, we found that First Nations in default are not necessarily at an advantage. All else being equal, First Nations who are required to fund the fees of a Third Party Manager or Expert Resource⁷ from their core Band Support Funding allocations will need to cut back on their internal administrative capacity, impairing their chances to improve community capacity. A declining approach to subsidizing the costs of a Third Party Manager, Co-manager or Expert Resource (e.g. 80% year in one, 50% in year two, 25% in year three, and 0% in year four) could allow First Nations in default to retain their administrative capacity and incent them to quickly undertake meaningful reform.

Recommendation

3. The Chief Financial Officer, with support of the Senior ADM RO and ADM NAO, should review and improve linkages between the General Assessment, Default Prevention and Management regime and capacity development program activities to ensure that First Nations with the greatest capacity development needs and potential are given appropriate focus by regions and programs.

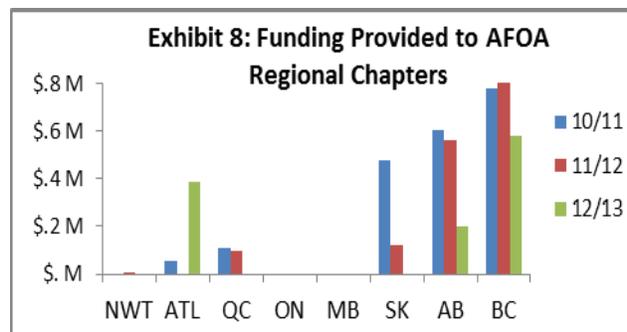
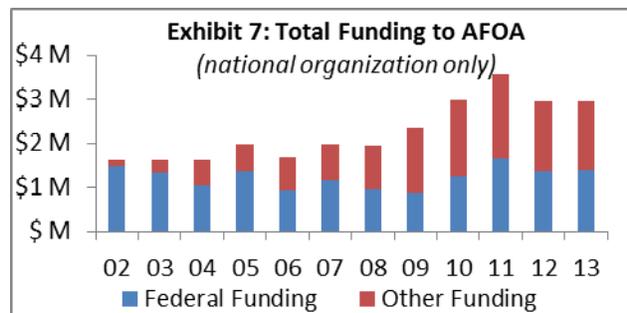
⁶ In 2012-13, there was a total of 158 First Nations in one stage of default (12 Third Party Management, 61 Co-management, and 85 Recipient Managed).

⁷ For First Nations under Third Party Management, the Band Support Funding Program Policy requires that “because the band government is no longer administrating departmental-funded services, Band Support Funding is redirected to cover the Third Party Manager's fees for managing the delivery of these programs and services”.

5.2.3 Leveraging Institutions and Associations to Achieve Results

As detailed previously, AANDC is increasingly experiencing success in partnering with recognized institutions and professional associations to further its capacity development aims. While regional funding services officers have some knowledge of community and capacity development principles and provide advice to many of their clients on these subjects, they are rarely experts in the field of development and often lack time to devote personal attention to building First Nations capacity. Furthermore, some First Nations communities prefer to work with institutions and associations that are at arms-length from government.

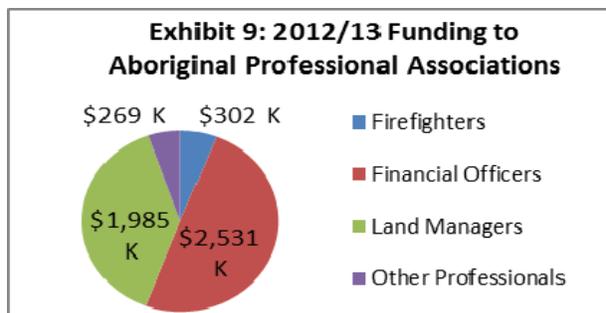
As an example of a partnership that has garnered success, the Aboriginal Financial Officers Association (AFOA)⁸ has drawn on stable funding from AANDC and other federal funders for over a decade and has made sustained progress in leveraging funding from private funders and its membership (see Exhibit 7). This example proves that sustained support of partners by AANDC can lead to substantial net new gains over the longer-term.



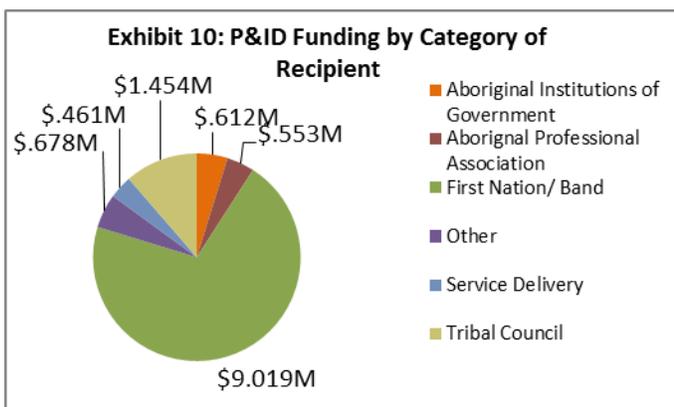
In addition to funding provided to AFOA by the RO Sector, some AANDC regional offices fund the AFOA provincial chapters. Our analysis (see Exhibit 8) and interviews indicate that most AFOA chapters do not receive consistent funding from AANDC and that funding levels vary considerably from year to year. Some regions feel it is the role of the Department to support and enable the growth of AFOA chapters, seeing them as key to achieving the Department's aims. Other regions place more emphasis on the current capacity of the AFOA chapter and less on its potential to further the Department's policy objectives. These regional differences should be further explored by the Department to determine whether increased consistency would help to build upon the existing success of the Department's partnership with AFOA.

⁸ AFOA Canada was founded as a not-for-profit association in 1999 to help Aboriginal people better manage and govern their communities and organizations through a focus on enhancing finance and management practices and skills. AFOA's premise is that effective management is key to building social and economic prosperity and essential to successful Aboriginal governance. AFOA figures retrieved from GCIMS and include funding of AANDC, Health Canada and other Federal funders.

Other examples of professional associations leveraged and supported by the Department include associations for land managers, water and wastewater system operators, and firefighters. Based on our analysis (see Exhibit 9) of spending, we determined that the total departmental spending on these associations is approximately \$2.6M⁹. This figure includes funds provided to fire fighter associates to support member-focused services but excludes funds provided to fire fighter associations for delivery of AANDC programs. Most of these associations are regional organizations funded by AANDC regions. Many other professional disciplines that are important to the success of First Nation communities are not supported by strong professional bodies. Some examples include Aboriginal leaders and executives, band administrators¹⁰, trust administrators, economic development officers, social workers, and teachers, among others.



While AANDC has a program targeted at Professional and Institutional Development (P&ID), in 2012/13, only \$553 K of the \$12.8M annual budget was allocated to professional associations (see Exhibit 10). The current priorities of the P&ID program are to fund First Nations communities that are implementing remedial action in response to a default on an AANDC agreement, developing community development plans and funding initiatives in community development plans. While these activities are clearly very important for the success of First Nations, the Department's choice to fund them from Professional and Institutional Development program is reducing the capacity of AANDC to build sustainable partnerships with professional bodies and institutions.



Recommendation:

4. The Senior ADM RO, with support of the Chief Financial Officer, Senior ADM PSD and program ADMs, should analyze the Department's capacity development investments across regions and programs to determine whether program and community-level approaches and funding allocations are informed by the capacity-related needs of communities, considerate of risk, and aligned with departmental priorities for capacity development.

⁹ Approx. \$7M of funding to provincial firefighter associations is not included in this figure because the funding was provided to deliver services on behalf of the Department rather than to support association member-focused services.

¹⁰ In June 2013, AFOA, with support of the Assembly of First Nations, announced that it would broaden its scope to include aboriginal professional administrators.

Based on the results of analysis, and guided by AANDC's immediate capacity development priorities, the Senior ADM RO and program ADMs, with support of the Chief Financial Officer, should act upon opportunities to strengthen capacity development activities within each AANDC program.

5.3 *Partnering and Leveraging Capacity Investments*

5.3.1 Leveraging Partnership Opportunities in the Future

AANDC and its federal partners are increasingly recognizing the importance of partnering and innovating to address capacity development challenges and leverage contributions from the private sector and non-profit sector. For illustration purposes, Appendix G highlights five examples of capacity development approaches that garnered success. It also uses a case study for each approach to explore why it has worked and what other opportunities might exist to expand the application of the approach. The five capacity development approaches analyzed include:

- Supporting and leveraging professional associations and training organizations;
- Supporting and leveraging Aboriginal institutions of government;
- Engaging with and leveraging the Non-Profit sector;
- Promoting collaboration in program delivery; and
- Supporting First Nations in seizing development opportunities.

While AANDC continues to innovate and improve how it supports capacity development with Aboriginal communities, institutions, organizations and people, our interviews and questionnaires indicate that most of these successes are driven by program and region-specific initiatives. While the culture of innovation is clearly taking hold in some areas of the department, opportunities exist to foster innovative thinking and informed risk-taking. The recommendations in this report are intended to support and promote innovation.

6. MANAGEMENT ACTION PLAN

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
<p>1. AANDC should strengthen the focus on capacity development in its proposed policies and program activities through the following actions:</p> <p>i. The Senior ADM PSD, with the support of the Senior ADM RO, the CFO, and the ADM NAO, should work with all ADMs to establish departmental capacity development priorities and/or principles to guide the Department in making improvements to its capacity development policies and program activities. Due consideration should be given to opportunities for each program to enforce synergies with other programs and support the broader capacity development needs of First Nations communities, people, institutions and professional organizations.</p> <p>ii. The Senior ADM PSD, with the support of the Senior ADM RO, the CFO, and the ADM NAO, should work with all ADMs to ensure that the policy development and program design and approval functions of the Department include an appropriate process and challenge function to ensure that the Department's capacity development principles and/or priorities are considered and reflected in all policy and program proposals, and that planned capacity development activities are sufficient to achieve the Department's capacity development priorities.</p>	<p>i. Coordinate the development and approval through the Operations Committee of core principles to guide the department in establishing key priorities for capacity development programming.</p> <p>ii. Following approval of the key principles related to capacity development, work to align implementation with existing strategic investment planning and policy approval processes.</p>	<p>Senior ADM PSD</p> <p>Senior ADM RO</p> <p>Chief Financial Officer</p> <p>ADM NAO</p>	<p>Spring 2014</p> <p>Fall 2014</p>

<p>2. The Senior ADM PSD, with support of all AANDC senior executives, should:</p> <p>i. Facilitate the establishment of research and data analysis priorities to support the Government of Canada in improving First Nations capacity development approaches and programming; and,</p> <p>ii. Review and clarify the department's role as a coordinator and facilitator of research and programming focused on First Nations capacity development, with other Government departments, academia and other stakeholders interested in researching and investing in First Nations capacity development.</p>	<p>i. Develop options for the development of a strategic research plan that will outline research priorities.</p> <p>Lead on production of the 2011 Community Well-Being Index based on data from the NHS.</p> <p>As a member of the interdepartmental ADM committee on the use of administrative data, promote the need for and the use of data related to Aboriginal peoples.</p> <p>ii. Facilitate discussions around aboriginal research, data collection and information management, including issues related to capacity development, thru the Aboriginal Information Management Committee, which meets periodically. The committee includes representatives of federal departments with aboriginal mandates and NAOs.</p> <p>Develop options to collect information on departmental investments in research.</p>	<p>Senior ADM PSD</p>	<p>Spring 2014</p> <p>Spring 2014</p> <p>Fall 2014</p> <p>Winter 2014</p> <p>Fall 2014</p>
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<p>3. The Chief Financial Officer, with support of the Senior ADM RO and ADM NAO, should review and improve linkages between the General Assessment, Default Prevention and Management regime and capacity development program activities to ensure that First Nations with the greatest capacity development needs and potential are given appropriate focus by regions and programs.</p>	<p>The Chief Financial Officer (TPCOE), the Senior ADM RO Sector and the ADM NAO will work together to develop a national Case Management Approach including a template. This will be a formal, documented process to ensure that particular concerns and recipient capacity issues are brought to the attention of Senior Management at an overall national review at least twice a year, for information and decisions on actions required.</p>	<p>Chief Financial Officer Senior ADM RO ADM NAO</p>	<p>November 2013</p>
<p>4. The Senior ADM RO, with support of the Chief Financial Officer, Senior ADM PSD and program ADMs, should analyze the Department's capacity development investments across regions and programs to determine whether program and community-level approaches and funding allocations are informed by the capacity-related needs of communities, considerate of risk, and aligned with departmental priorities for capacity development.</p> <p>Based on the results of analysis, and guided by AANDC's immediate capacity development priorities, the Senior ADM RO and program ADMs, with support of the Chief Financial Officer, should act upon opportunities to strengthen capacity development activities within each AANDC program.</p>	<p>The Senior ADM RO will lead an analysis of AANDC's investments in capacity development across regions. Results and recommendations will be presented to a senior governance committee for approval, with plan to better align spending with capacity development objectives and recipient need.</p>	<p>Senior ADM RO Chief Financial Officer Senior ADM PSD</p>	<p>December 2014</p>

Appendix A: Audit Criteria

To ensure an appropriate level of assurance to meet the audit objectives, the following criteria were developed to address the objectives as follows:

Audit Objective #1: Assess the adequacy and effectiveness of departmental controls for designing, approving, integrating and reporting on capacity development programs.

1. Program objectives for capacity development are clearly defined and aligned with the departmental mandate and priorities for First Nations Community Governments, First Nations Program Service Delivery programs, First Nations Institutions of Government, First Nations Economic Development programs and First Nations Leadership and Professional Development programs.
2. Funding levels for capacity development are clearly defined, approved and aligned with program objectives for First Nations Community Governments and First Nations Institutions of Government.
3. AANDC's capacity development program activities are clearly linked to expected outcomes and performance measures for First Nations Community Governments, First Nations Program Service Delivery programs, First Nations Institutions of Government, First Nations Economic Development programs and First Nations Leadership and Professional Development programs.
4. Departmental governance structures, program authorities, guidance, and tools are in place to support implementation of capacity development programming with First Nations Community Governments and First Nations Institutions of Government.
5. Funding instruments and funding agreement templates are designed to support implementation of capacity development programming with First Nations Community Governments and First Nations Institutions of Government.
6. Performance information for capacity programming is gathered and analyzed and results are consolidated to support evaluations of program performance and effectiveness for First Nations Community Governments and First Nations Institutions of Government programs.

Audit Objective #2: Assess the appropriateness of the design of region and sector controls for delivering capacity development programming in an integrated, efficient and effective manner.

7. Region and Sector-delivered programs have adequate governance structures, processes and resources to support consistent implementation of capacity development programming for First Nations Community Governments and First Nations Institutions of Government programs.

Appendix B: Relevant Policies/Directives

The following authoritative sources were examined and used as a basis for this audit:

Policies and Directives

- AANDC *Default Prevention and Management Policy*
- AANDC *Directive on Default Prevention and Management*
- Treasury Board *Directive on Transfer Payments*, Appendix K: Transfer Payments to Aboriginal Recipients
- Treasury Board *Policy on Transfer Payments*

AANDC Program Authorities

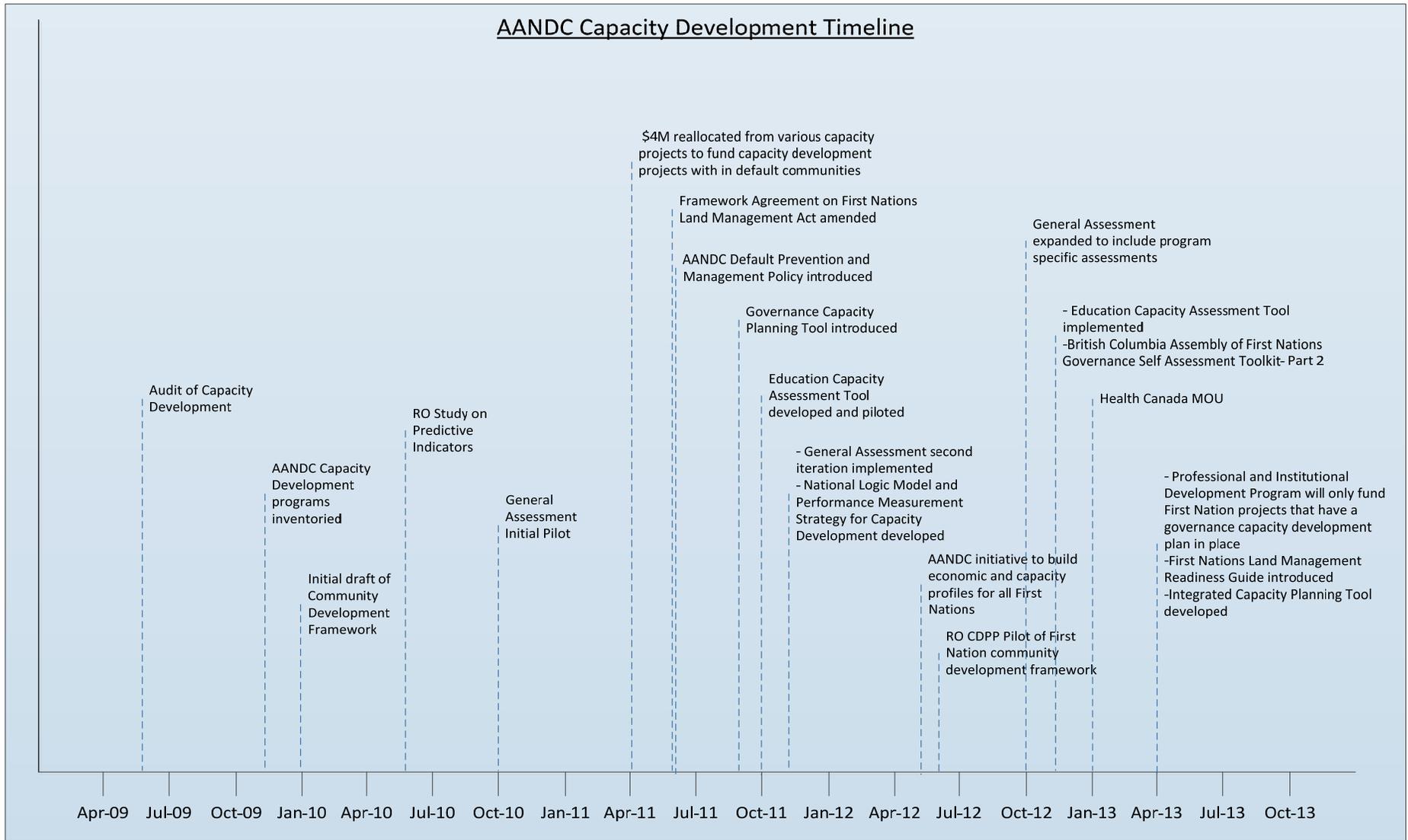
- Authority 305 – Contributions to implement the First Nations Land Management Act
- Authority 306 – Contributions to support the building of strong governance, administrative and accountability systems
- Authority 315 – Contributions to Indspire
- Authority 316 – Contributions to First Nations Institutions for the purpose of enhancing good governance
- Authority 317 – Contributions under the Aboriginal Business Canada Program
- Authority 319 – Contributions to support the basic organizational capacity of representative Aboriginal organizations
- Authority 325 – Contributions to Indian Bands for Land Management Capacity Building
- Authority 326 – Contributions to support the Aboriginal Economic Development Strategic Partnerships Initiative
- Authority 330 – Contributions for emergency management assistance for activities on reserves
- Authority 341 – Contributions for the purpose of consultation and policy development
- Authority 350, 351, 352 and 378 – Contributions to Indian bands for land and estate management
- Authority 372, 376 and 378 – Payments to support Indians, Inuit and Innu for the purpose of supplying public services in economic development
- Authority 373, 377, 378, 379, 380, 382 and 384 – Payments to support Indians, Inuit and Innu for the purpose of supplying public services in capital facilities and maintenance
- Authority 374 and 378 – Payments to support Indians, Inuit and Innu for the purpose of supplying public services in education (Contribution to First Nations and Inuit Governments and Organizations for initiatives under the Youth Employment Strategy Skills Link program and Summer Work Experience Program)
- Authority 375 and 378 – Payments to support Indians, Inuit and Innu for the purpose of supplying public services in social development (Contributions to provide income support to indigent on-reserve residents)

- Authority 375 and 378 – Payments to support Indians, Inuit and Innu for the purpose of supplying public services in social development (Contributions to provide women, children and families ordinarily resident on-reserve with Protection and Prevention services)
- Authority 377 – Payments to support Indians, Inuit and Innu for the purpose of supplying public services in capital facilities and maintenance
- Authority 378 and 383 – Payments to support Indians, Inuit and Innu for the purpose of supplying public services in Indian government support
- Authority 406 – Grants to Indians and Inuit to provide elementary and secondary educational support services
- Authority 410 – Grants for Band Support Funding
- Authority 452 – Payments to self-governing Aboriginal organizations, pursuant to comprehensive land claim agreements, self-government agreements or treaty legislation
- Authority S34 – Contributions to beneficiaries and various implementing bodies for implementing comprehensive land claim agreements
- Authority S36 – Contributions to support the negotiation process for comprehensive, specific, and special claims and self-government initiatives
- Authority T49 – Grants to support First Nations, Inuit, Tribal Councils, Organizations or other levels of government for the implementation activities as stipulated in the various agreements

AANDC Assessment Tools, Planning Tools and Management Frameworks

- A Human Resource Capacity Tool for First Nations
- AANDC Community Development Framework
- AANDC Default Assessment Tool
- AANDC Management Control Framework for Grants and Contributions
- Community Infrastructure Capacity Planning Tool
- Draft Education Organization Planning Tool
- First Nations Land Management Readiness Guide
- General Assessment Workbook, Tool and User Guide
- Governance Capacity Planning Tool
- Guidelines to Assess the Capacity and Readiness of First Nations Income Assistance Service Providers
- Integrated Capacity Planning Tool
- Questionnaire for First Nation Entry to the Framework Agreement on First Nation Land Management and the First Nations Land Management Act
- Social Program Compliance Risk Assessment Tools

Appendix C: Key AANDC Capacity Development Initiatives



Appendix D: AANDC Capacity Development Spending by Region (\$ millions)

	NWT	Nunavut	Atlantic	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	Yukon	British Columbia	HQ	Total
Formula Based Core Funding												
Band Support Funding	\$ 5.3	\$ -	\$ 2.7	\$ 5.4	\$ 36.7	\$ 24.5	\$ 25.2	\$ 14.6	\$ 1.9	\$ 35.2	\$ -	\$ 151.5
Indian Government Support (<i>note 1</i>)	-	-	15.5	11.6	20.9	17.7	12.5	23.3	-	14.0	-	115.5
Band Employee Benefits	0.2	-	0.5	11.0	9.3	7.5	10.2	5.2	0.2	8.2	-	52.3
Tribal Council Funding Program	2.5	-	0.7	2.7	5.4	2.9	5.4	1.8	-	7.9	-	29.3
Basic Organizational Capacity of Prov. & Terr. Organizations	0.7	0.6	1.1	0.8	1.7	5.0	1.7	1.2	0.4	1.6	8.8	23.6
First Nations Fiscal & Statistical Management Act Institutions	-	-	-	-	-	-	-	-	-	-	12.5	12.5
Registration and Membership	-	-	-	-	-	-	-	-	-	-	-	-
Re-Orientation of Self-Government	0.3	-	0.0	0.0	-	-	-	-	-	-	-	0.3
Environmental Sustainability	-	-	-	-	-	-	-	-	-	-	0.1	0.1
Indian Studies Support Program	-	-	0.1	-	-	-	-	-	0.1	-	-	0.2
Land and Environment Action Fund	0.1	-	0.1	0.3	0.3	0.2	0.2	0.2	0.0	0.3	-	1.7
National Aboriginal Achievement Foundation	-	-	-	-	-	-	-	-	-	-	-	-
National Center for First Nations Governance	-	-	-	-	-	-	-	-	-	-	1.6	1.6
	\$ 9.1	\$ 0.6	\$ 20.7	\$ 31.8	\$ 74.3	\$ 57.8	\$ 55.2	\$ 46.3	\$ 2.6	\$ 67.2	\$ 23.0	\$ 388.6
Proposal Based and Targeted Funding												
Community Economic Development Organizations	\$ 1.0	\$ 0.1	\$ 2.9	\$ 8.0	\$ 9.8	\$ 7.8	\$ 8.4	\$ 7.3	\$ 0.1	\$ 8.6	\$ -	\$ 54.0
Consultation and Policy Development	0.2	0.0	1.6	0.2	4.8	0.8	2.5	1.1	0.1	1.5	7.4	20.2
Professional and Institutional Development	0.4	0.4	1.2	1.1	2.4	1.6	0.9	1.5	0.4	2.2	0.8	12.9
Band Advisory Services (<i>ceases in 2014-15</i>)	-	-	-	-	0.5	0.1	0.1	0.3	-	0.2	-	1.2
New Paths for Education	-	-	0.3	1.5	2.7	2.6	0.0	2.0	-	3.8	0.8	13.7
Circuit Rider Training	-	-	-	1.6	1.9	1.0	1.8	1.8	0.3	2.6	-	11.0
Child and Family Services (SDPMI)	-	-	-	-	-	1.3	0.5	0.9	-	-	-	2.7
Gathering Strength (SDPMI)	-	-	-	-	-	-	-	-	-	1.4	0.4	1.8
RLAP/ RLEMP	-	-	0.1	0.6	2.1	0.3	3.9	0.9	-	2.1	1.4	11.4
Community Support Services	-	-	0.6	0.8	0.8	0.9	0.2	0.4	-	1.1	3.4	8.2
	\$ 1.6	\$ 0.5	\$ 6.7	\$ 13.8	\$ 25.0	\$ 16.4	\$ 18.3	\$ 16.2	\$ 0.9	\$ 23.5	\$ 14.2	\$ 137.1
Total Capacity Development Funding	\$ 10.7	\$ 1.1	\$ 27.4	\$ 45.6	\$ 99.3	\$ 74.2	\$ 73.5	\$ 62.5	\$ 3.5	\$ 90.7	\$ 37.2	\$ 525.7

Note 1: Indian Government Support includes Band Support Funding, Band Employee Benefits and Band Advisory Services provided to a selection of First Nations and Tribal Councils.

Appendix E: Analysis of Proposal-based Capacity Development Spending on First Nations Communities by GA Score and Size of Population

Average Capacity Development Spending 2012-13 by GA Score Level and Size of First Nation Community
(\$ thousands)

	Atlantic					Quebec					Alberta			
	0 - 250	251 - 750	751 - 2000	2001+		0 - 250	251 - 750	751 - 2000	2001+		0 - 250	251 - 750	751 - 2000	2001+
High GA		65 K	290 K		High GA		140 K		336 K	High GA	100 K		238 K	
Medium GA		51 K	321 K	187 K	Medium GA	57 K	110 K	172 K	387 K	Medium GA		84 K	144 K 474 K	
Low GA	23 K	50 K	85 K	287 K	Low GA	51 K	55 K	120 K	399 K	Low GA		44 K	206 K 477 K	
	Ontario					Yukon					British Columbia			
	0 - 250	251 - 750	751 - 2000	2001+		0 - 250	251 - 750	751 - 2000	2001+		0 - 250	251 - 750	751 - 2000	2001+
High GA	25 K	110 K	78 K		High GA	112 K				High GA	14 K	60 K	97 K	
Medium GA	36 K	78 K	110 K	174 K	Medium GA	92 K	108 K			Medium GA	22 K	34 K	59 K 137 K	
Low GA	41 K	70 K	110 K	310 K	Low GA	374 K	33 K			Low GA	19 K	76 K	137 K 283 K	
		42 K			No GA Score	103 K		24 K		No GA Score			3 K	
	Saskatchewan					Manitoba					NWT			
	0 - 250	251 - 750	751 - 2000	2001+		0 - 250	251 - 750	751 - 2000	2001+		0 - 250	251 - 750	751 - 2000	2001+
High GA		31 K	61 K	19 K	High GA	41 K	124 K	201 K	394 K	High GA				
Medium GA		34 K	68 K	162 K	Medium GA	47 K	83 K	94 K	366 K	Medium GA		50 K	44 K	
Low GA	19 K	37 K	49 K	210 K	Low GA	25 K	122 K	121 K	258 K	Low GA	12 K	16 K	30 K	

Note: Nunavut Region is not included as it does not fund First Nations communities.

Appendix F: Analysis of Average Proposal Based Capacity Development Spending on First Nations in Default

	<u>NWT</u>	<u>Atlantic</u>	<u>Quebec</u>	<u>Ontario</u>	<u>Manitoba</u>	<u>Saskatchewan</u>	<u>Alberta</u>	<u>Yukon</u>	<u>BC</u>
First Nations not in Default	18,747	91,467	182,633	130,063	132,821	94,062	199,383	50,365	67,682
First Nations in default		128,803	202,521	90,348	153,593	75,053	241,284	109,968	57,424
Recipient Managed		83,980	188,667	92,088	143,573	72,304	258,626	109,968	50,420
Co-Management		133,230	271,906	89,503	149,628	67,523	241,305	-	106,451
Third Party Management		290,390	139,947	76,821	203,903	216,935	154,532	-	-

Appendix G: Examples of Capacity Development Approaches that have Experienced Success

Capacity Development Approach #1: Supporting and leveraging professional associations and training organizations

This capacity development approach involves government supporting and leveraging of organizations that develop professional standards, deliver training courses to Aboriginal professionals and tradespeople, host conferences and/or maintain and administer certification regimes for Aboriginal professionals. These professional associations are not necessarily Aboriginal-owned or led and typically do not play a political role or deliver services on behalf of governments. Federal funding can serve as seed capital for Aboriginal-led associations or as a subsidy to established non-Aboriginal organizations that wish to develop a specialty program or certification aimed at Aboriginal professionals and trades.

Case Study: Aboriginal Financial Officers Association

Context:

One longstanding example of an Aboriginal organization that provides certification programs is the Aboriginal Financial Officers Association (AFOA). Since 1999, AFOA has been operating as a non-profit organization, mandated to focus on the capacity development of Aboriginal professionals working in all areas of finance and management. AFOA offers two certification programs: the Certified Aboriginal Financial Manager and the Certified Aboriginal Professional Administrator. In addition to the certification programs, AFOA publishes a professional journal, provides ongoing professional development training, hosts an Annual National Conference, promotes best practices and provides a forum for information sharing among its 1,600 members. As detailed in the AFOA Annual Report for 2012-13, in both 2011-12 and 2012-13, AANDC funded just under 50% of AFOA's \$3 million operating budget, and the remaining required funding was earned primarily from product sales, membership fees (individuals and corporations), and national conference fees. Since 2002, AFOA has relied on the federal government for close to 85% of its operating budget.

Other Examples of Aboriginal Professional Associations

- National Land Managers Association
- Various Aboriginal firefighters associations
- First Nations Social Development Society
- Aboriginal Nurses Association of Canada

Success Factors:

Based on interviews with departmental officials and external stakeholders and a review of AFOA publications, the factors driving AFOA's success appear to be:

- First Nations communities see value in AFOA's certifications, training and literature;
- Certification regimes are flexible and accessible;
- Design of the curriculum has been driven by First Nations leaders and financial managers;
- Courses and materials of other recognized professional bodies and academia are leveraged;
- Members are engaged post-certification with conferences and thought leadership; and,
- AFOA has worked with universities to have Certified Aboriginal Financial Manager counted towards degree programs.

Other potential applications:

Based on our discussions with departmental officials and external stakeholders, we identified a number of areas where there is a distinct lack of professional certification, training and thought leadership. Some examples of professions and trades that lack certification and training tailored to the Aboriginal context include: First Nations leaders, executives and directors;

- First Nations trust managers;
- First Nations educators (some programs in place);
- Aboriginal business development professionals;
- Aboriginal social workers (some provincial/regional bodies exist);
- First Nations emergency management professionals (some provincial/regional bodies exist);
- First Nations infrastructure managers (some supports in place);
- First Nations community planners; and,
- Aboriginal community youth workers.

Capacity Development Approach #2: Supporting and Leveraging First Nations Institutions of Government (to support optional First Nation legislation)

This capacity development approach involves government support for Aboriginal institutions of government mandated to support the implementation of optional First Nation legislation. The authoritative basis for these institutions is prescribed within the legislation, which typically includes requirements around governance, scope and mandate. These institutions (or organizations) support and service the needs of multiple communities at a regional, provincial or national level.

Case Study: *First Nations Fiscal and Statistical Management Act* and the First Nations Financial Management Board

Context:

The objective of the *First Nations Fiscal and Statistical Management Act* is to develop practical modern day tools for First Nations Governments to address barriers faced by First Nations attracting investments to their lands. Three institutions¹¹ were created to support the *First Nations Fiscal and Statistical Management Act*, including the First Nations Financial Management Board (FNFMB). The FNFMB provides a range of financial administration supports to First Nation Governments. The FNFMB operates as a shared governance institution; the FNFMB's Board of Directors is accountable to the AANDC Minister, and the majority of Directors are named by the Governor in Council. The FNFMB has worked with public and private sector partners to develop a suite of standards and tools to address the complexity of financial administration for First Nations. One of the key FNFMB services is a two-part financial

Other Examples

- First Nations Tax Commission
- First Nations Finance Authority
- First Nations Lands Advisory Board

¹¹ Originally four institutions were established under the FSMA. The fourth institution was the First Nations Statistical Institute (FNSI). Budget 2012 cut the budget of FNSI by 50%, and eliminated all of its funding in 2013-14.

management and financial performance certification process that is mandatory for any First Nation Government that wishes to participate in First Nations Finance Authority borrowing services and voluntary for First Nation Governments that choose to obtain the certification.

Success Factors:

Based on interviews with departmental officials and external stakeholders and a review of FNFMB publications, the factors driving FNFMB's success appear to be:

- The authoritative basis for FNFMB is First Nation-led legislation;
- The FNFMB certification process is built on industry best standards and is recognized by the Canadian financial and banking community;
- The use of FNFMB services is strictly voluntary, based on a need identified by the First Nations Government;
- The requirements and expectations of the FNFMB certification process are clearly defined; and,
- FNFMB avoids conflict of interest issues in granting certification by outsourcing requests for development support.

Other potential applications:

Aboriginal institutions are generally based in legislation. As a result, AANDC does not directly influence the creation of these institutions and we have not attempted to identify opportunities in this area.

Capacity Development Approach #3: Engaging with and Leveraging the Not-For-Profit Sector

This capacity development approach involves the government engaging with and leveraging the not-for-profit sector, including charitable foundations, service organizations, non-governmental organizations and trusts, among others. In situations where NPOs have capabilities that are aligned with government policy objectives and programs, they can be leveraged to more effectively and efficiently deliver government programs. These organizations are the backbone of the international development system and have tremendous experience in the area of capacity development. In many cases, the investment by government serve as a platform to attract additional interest and investments from donors and other funders.

Case Study: The Indspire Institute

Context:

Indspire Institute is a nationally registered charity dedicated to raising funds to deliver programs that provide the tools necessary for Indigenous peoples, especially youth, to achieve their potential. Key Indspire initiatives include scholarships, bursaries, networking, conferences, the prestigious Indspire Awards, formerly known as the National Aboriginal Achievement Awards, and networking to connect Indigenous youth directly with business and public sector leaders. Indspire has national reach and is funded by Canada through AANDC, but also attracts considerable funding from numerous corporate and private sources.

Success Factors:

Based on interviews with departmental officials and external stakeholders and a review of Indspire publications, the factors driving Inspire's success appear to be:

- Strong governance and an experienced management team;
- Leveraging the internet to create a virtual community, thus maximizing access and sharing;
- Strong ties with Canadian business and professional groups that are eager to support the cause;
- National reach and multiple levels of clients served (students, educators, parents and Indigenous leaders); and
- Very prominent and prestigious sharing and celebration of Indigenous successes.

Other potential applications

There are many not-for-profit organizations in Canada focused on social, education, health, leadership, and other sectors and issues that could potentially be leveraged to support government efforts in supporting the capacity development needs of Aboriginals. Some of these organizations have strong roots in international development and could apply their experiences in the Canadian First Nations context. Similarly, there are many foundations and trusts, funded by corporate Canada and/or by prominent Canadians that are becoming increasingly interested in improving the life chances of Aboriginal people and the health of their communities.

Capacity Development Approach #4: Supporting First Nations in Seizing Development Opportunities

This capacity development approach involves working with communities, in collaboration with other government partners to support and prepare communities to seize opportunities.

Case Study: The Strategic Partnership Initiative

Context:

In 2010, the Government of Canada committed \$71 million over 5 years to the Strategic Partnership Initiative (SPI), which is a key element of the Federal Framework for Aboriginal Economic Development. The SPI was designed to fill gaps related to economic development activities that cannot be addressed by existing federal government programs. The objective of the SPI is to support Aboriginal participation in the economy with a particular focus on opportunities in five natural resource sectors including agriculture, fisheries, forestry, mining and energy. Thirteen federal partners, including AANDC, have committed to coordinating their efforts under the SPI. SPI priorities are determined by the Federal Coordination Committee based on a review of sector-wide environmental scans performed by the federal partners. The Federal Coordination Committee identifies the most appropriate federal partners to advance the highest priority opportunities. The federal partners then collaborate with the Aboriginal communities and other partners to develop a work plan to address the agreed upon priority. To date, SPI has supported projects related primarily to fisheries, mining and industry, and includes investments related to Ontario's Ring of Fire. Examples of SPI projects related to the Ring of Fire include support for various types of consultation, negotiation and project management capacities, support for development of a Regional Negotiation Strategy and support for costs related to negotiations, hiring of professional service providers, community engagement sessions, and Mineral/Mining training.

Other Examples

- Urban Aboriginal Strategy
- Income Assistance Active Measures, in partnership with HRSDC
- First Nations Land Management Act
- First Nations Oil and Gas Management Act

Success Factors:

The SPI is scheduled for a formative evaluation in 2013-14. Based on interviews with departmental officials and a review of SPI-related documentation, the key design elements of the SPI, intended to drive success are:

- Single window for funding for First Nations;
- Collaboration with First Nations in developing work plans and identifying needs (but limited to needs related to economic development opportunities);
- Encouragement of partnering among Aboriginal communities and between Aboriginal communities, provinces and industry; and,
- Encouragement of joint initiatives between federal and other levels of government.

Other potential applications

Federal government structures and silo programming have long been cited by departmental officials and stakeholders as one of the barriers to delivering effective and integrated capacity development programming. The SPI, which is focused on economic development, presents an interesting model that could well be applied to other areas of capacity development, such as band governance and management, infrastructure management, and delivery of services.

Capacity Development Approach #5: Promoting collaboration in program delivery

This capacity development approach involves creating and promoting opportunities for First Nations communities to work together in delivering programs to achieve synergies and improve program effectiveness. Each service provider is established or supported to ensure that multiple communities of varying size, remoteness and capacity have access to some standard level of technical or other expertise. Some service providers are funded and supported solely by AANDC, others are funded in partnership with other federal government departments and/or provinces/territories.

Case Study: Manitoba First Nations Education Resource Centre Inc.

Context:

The Manitoba First Nations Education Resource Centre Inc. (MFNERC) was established in 1999 by the Assembly of Manitoba Chiefs, and is funded primarily by AANDC, but also receives funding from other federal government departments and several other partners. The MFNERC provides second and third level services to 58 First Nations schools which are administered by 49 First Nations. First level service within education refers to the service provided by school staff directly to students, second level refers to supports provided to school staff that work directly with students, and third level service addresses research and curriculum development. The MFNERC provides education, administration, technology, language and culture services through three main program areas: support services, service delivery and information technology. MFNERC programs are designed and developed in partnership with First Nations school educators, administrators and other partners and stakeholders. MFNERC partners include multiple Aboriginal organizations and companies, tribal councils, school divisions, not-for profit organizations, private companies, professional associations, colleges, universities and many others.

Other Examples

- Multiple Tribal Councils
- First Nation Health Authority
- First Nations Schools Association
- First Nations Education Authorities
- Multiple Child and Family Service organizations
- Circuit Rider Trainer Service Providers

Success Factors:

Based on interviews with departmental officials and external stakeholders and a review of MFNERC publications, the factors driving its success appear to be:

- Holistic approach to servicing needs of students and educators;
- Demand driven services;
- Collaborative approaches to achieving synergies and economies of scale;
- Heavy focus on partnering and leveraging with partner organizations (expertise, networks and funding);
- Focus on financial management and governance systems; and,
- Culturally sensitive services.

Other potential applications

AANDC supports and leverages many providers of services to First Nations and new opportunities arise every year. To ensure that the Department and First Nations are actively identifying and leveraging opportunities to collaborate, AANDC regional and program managers must be continuously open to new ideas and innovative approaches. One manner in which AANDC might promote these arrangements is to require that all/most AANDC programs set targets for increasing funding to service organizations that can achieve synergies. For example, this might be achieved by setting aside a portion of the funding of every program for proposals from service organizations and communities that create net new investment, achieve operational synergies and/or improve service levels and living conditions in high risk communities.