

**ACTION PLAN IMPLEMENTATION STATUS UPDATE
REPORT TO THE AUDIT COMMITTEE - AS OF SEPTEMBER 30, 2011**

Chief Financial Officer

AUDIT OF LIABILITIES (200730)
AEC APPROVAL DATE: 08/12/2009

PROJECT RECOMMENDATIONS	ACTION PLAN	EXPECTED COMPLETION DATE	PROGRAM RESPONSE
<p>1. Key stakeholders, at both the regional and HQ levels, with liability identification, quantification and reporting responsibilities should assess the structure of current reporting relationships and accountabilities with a view to clarifying expectations, identifying gaps and initiating changes as appropriate. In particular, Management should consider opportunities to strengthen the linkage between accounting functions in the regions and the CFO Sector at HQ as a means to improve the reliability of controls associated with liabilities.</p>	<p>Over the last few years, the CFO Sector has been leading an 'audit readiness' initiative. A recent validation of controls documentation for Payables at Year End (PAYEs) and Environmental Liabilities noted similar gaps to those of the Internal Audit Report.. The following actions are being undertaken to address the findings:</p> <p>The departmental approach is to clearly state the responsibilities and accountabilities of all stakeholders in departmental policies.</p> <p>PAYE's:</p> <p>The CFO sector, has financial policy issuing authority, is currently revising its Payables at Year-end Policy and Procedures in consultation with stakeholders.</p> <p>The revised policy and procedures will clarify roles and responsibilities of stakeholders and the expectations for liability identification, quantification and reporting. The review will be completed for this fiscal year-end.</p>	<p>March 31, 2010</p>	<p>Status: Completed</p> <p>Update/Rationale: As of 30/09/2010:</p> <p>PAYE's: Discussions with Regions on roles and responsibilities occurred on November 3-5, 2009. The revised policy has been approved by CFO and is effective April 1, 2010. The revised policy addresses the Audit recommendations.</p> <p>AES: Close</p>

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	<p>Environmental Liabilities:</p> <p>The CFO will meet with the ADM's of Land and Economic Development (LED), Regional Operations (RO) and the Northern Affairs Office (NAO) to plan the development of a management control framework for Environmental Liabilities which will include the updating of INAC's Contaminated Sites Management Policy. The framework will be developed by June 30, 2010 along with an implementation plan.</p> <p>The control framework will be based on the requirements of the following:</p> <p>TBS Policies:</p> <ul style="list-style-type: none"> • Policy on Management of Real Property <p>TBS Standards and Directives</p> <ul style="list-style-type: none"> • Reporting Standard on Real Property • Directive on Contingencies • Draft guidance on accounting for liabilities related to contaminated sites. <p>TBS Accounting Standards:</p> <ul style="list-style-type: none"> • Accounting Standard 3.6 – Treasury Board – Contingencies; <p>Other:</p> <ul style="list-style-type: none"> • Federal Contaminated Sites 	June 30, 2010	<p>Status: Completed</p> <p>Update/Rationale: As of 31/03/2011:</p> <p>The development of a management control framework for environmental liabilities and implementation plan was completed on April 30, 2010. The implementation plan consists of a two-phased implementation approach with high priority controls being implemented by March 31, 2011 and low medium priority controls by March 31, 2012.</p> <p>Note: The plan includes assessment of impact on INAC policies. Updating of INAC's Contaminated Sites Management Policy is targeted for completion by March 31, 2012. See dependency with #7 and 8 below with LED and NAO.</p> <p>AES: Close</p>

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	<p>Action Plan – Eligible Costs Guidance Document</p> <p>PSAB</p> <ul style="list-style-type: none"> • CICA PS 3200; Liabilities • CICA PS 3300 Contingent Liabilities <p>Reporting relationships and the communication of roles and responsibilities between regions and HQ were identified in the October 2008 Evaluation of INAC's Contaminated Sites Policy and Programming as issues facing the Indian and Inuit Affairs (IIA) Contaminated Sites Management (CSM) Program. The IIA CSM Program is currently conducting a Program Review to improve program performance and management and address those issues prior to the upcoming renewal.</p>	March 31, 2010	
<p>2. A. The Contaminated Sites Program and the Environmental Directorate should clearly identify the required skills and experience based on the liabilities-related job responsibilities of regional staff. Together with Regional Management, training sessions, materials and other tools should be developed and be rolled-out</p>	<p>The Contaminated Sites Program will complete a training session for all staff on applicable policies and regulations relating to Environmental Liabilities at the upcoming Project Manager's meeting (November 3-5th). As a result of this training session, the CSP's <i>Accounting for Costs and Liabilities</i> corporate procedure will be updated to ensure regional project managers</p>	March 31, 2010	<p>Status: Completed</p> <p>Update/Rationale: As of 31/03/2010:</p> <p>The training session did occur at the Project Managers' meeting in November 2009 in Victoria, B.C. Great interest was demonstrated by participants and an environmental liabilities</p>

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<p>across all Regions to ensure that regional staff has a clear understanding of the applicable policies and regulations (Environmental Liabilities).</p>	<p>understand the need to provide appropriately substantiated and documented support for cost estimates that feed into liability reporting through the annual exercise of drafting Detailed Work Plans. These DWPs are signed-off by the Regional Directors General.</p> <p>Information on applicable policies and regulations relating to Environmental Liabilities will be incorporated into the Orientation Training Package currently being developed for all new Program staff at both HQ and the Regions.</p> <p>The IIA CSM Program will identify the required skills and experience for liabilities-related job responsibilities in regions and at HQ. Either existing Environmental Learning Regime modules will be updated to reflect such requirements, or a new module will be developed to provide regional and headquarters staff with the required training.</p>	<p>March 31, 2010</p> <p>September 30, 2010</p>	<p>workshop is planned for 2010-11 to further train regional project managers.</p> <p>The Accounting for Costs and Liabilities corporate procedure has not been updated. This is due to the Treasury Board Secretariat not finalizing its guidance document in support of its Directive on Contingencies. A first draft was distributed in September 2009, however never finalized. The program will wait for TBS to publish its guidance document before updating the corporate procedure. TBS has not given any indication of timelines to complete the guidance document. The timing to complete this task is therefore to be determined.</p> <p>The orientation package is completed and approved by the Northern Contaminated Sites Directors Committee on April 6, 2010.</p> <p>ELR development or modifications will be subject to availability of resources or declining shift in Sector priorities.</p> <p>AES: Close – Fully Implemented</p>

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<p>2. B. The Corporate Accounting and Reporting Directorate should clearly identify the required skills and experience based on the liabilities-related job responsibilities of regional staff. Together with Regional Management, training sessions, materials and other tools should be developed and rolled-out across all Regions to ensure that regional staff have a clear understanding of the applicable policies and regulations (Accounts Payable and Accrued Liabilities).</p>	<p>CFO Management believes that the Financial Officer (FI) competency profile and the FI education requirements combined with adequate policies and tools are sufficient for liability responsibilities.</p> <p>With respect to tools and materials for PAYEs, the Corporate Accounting and Reporting Directorate, in consultation with Regional Managers of Accounting Operations, committed to develop a standardized verification checklist as well as detailed procedures for all types of PAYEs (O&M, Salaries & Gs&Cs). The policy and procedures will also address the requirements for PAYEs that are carried forward from prior years. These elements will be included in the revised policy as well as the year-end procedures distributed to regions.</p> <p>Once completed, training to regions will be delivered via presentations on the new policy & procedures.</p>	<p>March 31, 2010</p>	<p>Status: Completed</p> <p>Update/Rationale: As of 31/03/2010:</p> <p>The revised Policy on Payables at Year-end has been approved by CFO and is effective on April 1, 2010 commencing with the department's accounts payables and accrued liabilities being established as at March 31, 2010. The revised policy addresses the audit recommendations.</p> <p>AES: Close – Fully Implemented</p>
<p>3. In addition to providing the year-end timetable and procedures, the CARD should ensure that each region obtains adequate training</p>	<p>With respect to tools and materials for PAYEs, the Corporate Accounting and Reporting Directorate, in consultation</p>	<p>March 31, 2010</p>	<p>Status: Completed</p> <p>Update/Rationale:</p>

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<p>and a clear understanding of their roles and responsibilities associated with reporting PAYEs at year-end. This additional guidance and training should clearly outline expectations surrounding:</p> <ul style="list-style-type: none"> -Documentation standards required to support a PAYE balance -Documentation to support the review and approval by RCMs of carry forward balances and -Minimum standards for tracking PAYE balances as they are drawn-down or unencumbered throughout the year(s). 	<p>with Regional Managers of Accounting Operations, committed to develop a standardized verification checklist as well as detailed procedures for all types of PAYEs (O&M, Salaries & Gs&Cs). The policy and procedures will also address the requirements for PAYEs that are carried forward from prior years. These elements will be included in the revised policy as well as the year-end procedures distributed to regions.</p> <p>Training to regions will be delivered via presentations on the new policy & procedures.</p>	<p>March 31, 2010</p>	<p>As of 31/03/2010:</p> <p>CFO Management believes that the Financial Officer (FI) competency profile and the FI education requirements combined with adequate policies and tools are sufficient for liability responsibilities.</p> <p>The revised Policy on Payables at Year-end has been approved by CFO and is effective on April 1, 2010 commencing with the department's accounts payables and accrued liabilities being established as at March 31, 2010. The revised policy addresses the audit recommendations.</p> <p>Training on the new policy and procedures was delivered March 26.</p> <p>AES: Close – Fully Implemented</p>
<p>4. The CARD should clearly outline Regional Accounting Operations/Transfer Payment Directorates' roles and responsibilities for reviewing PAYEs to ensure that estimates made are reasonable, appropriately supported and are in compliance with TBS and INAC</p>	<p>Discussions with regions on roles & responsibilities related to PAYEs will occur on November 3-5 at the Conference of Regional Managers of Accounting Operations. The agreed upon roles & responsibilities from the above consultations will be included in the revised policy and procedures.</p>	<p>March 31, 2010</p>	<p>Status: Completed</p> <p>Update/Rationale: As of 31/03/2010:</p> <p>Discussions with regions on roles & responsibilities related to PAYEs occurred on November 3-5.</p>

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Policies prior to submission to HQ.			The revised Policy on Payables at Year-end has been approved by CFO and is effective on April 1, 2010 commencing with the department's accounts payables and accrued liabilities being established as at March 31, 2010. The revised policy addresses the audit recommendations. AES: Close – Fully Implemented
5. The CARD should undertake quality assurance reviews as part of their compilation of PAYE balances from the regions at year-end. A review for reasonableness of recorded amounts and follow-up on unusual items should be performed.	<p>The Corporate Accounting and Reporting in collaboration with Regional Accounting Services will undertake a review of PAYE account balances and undertake a quality assurance review on a sampling basis.</p> <p>The Corporate Accounting and Reporting Directorate will develop and implement a formal review and analysis of PAYE balances on an annual basis.</p>	<p>March 31, 2010</p> <p>September 30, 2010</p>	<p>Status: Completed</p> <p>Update/Rationale: As of 31/03/2010:</p> <p>In the fall 2009, as part of its on-going monitoring efforts, Corporate Accounting and Reporting (CAR) selected a sample of payables-at-year-end (PAYE) from each region to assess their compliance with Treasury Board's Policy on PAYE. To address year-end reporting requirements, CAR has provided improved guidance on PAYEs in its year-end instructions. This guidance is consistent with the new PAYE policy. In cooperation with the regional accounting offices, CAR is also in the process of reviewing all outstanding PAYEs to ensure these liabilities are settled by year-end or, if eligible to be carried forward, are adequately supported. To date, old PAYE balance will be reduced by several millions.</p> <p>AES: Close – Fully Implemented</p>

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<p>6. All regions should implement a formally documented and risk-based approach to identifying and assessing potential contaminated sites. To the extent that financial and human resource constraints pre-empt the timely identification and assessment of contaminated sites, management should consider identifying alternative options such as the sharing of resources between regions.</p>	<p>The Treasury Board definition of a contaminated site is a site at which substances occur at concentrations: (1) above background levels and pose or are likely to pose an immediate or long-term hazard to human health or the environment or (2) exceed levels specified in policies and regulations. Each contaminated site is classified using the CCME National Classification System (NCS) a scientific risk-based evaluation to allow the program to prioritize sites.</p> <p>The Nunavut and Northwest Territories regional offices will produce a Site Assessment Action Plan to document the Program's approach to addressing the assessment of remaining suspected sites with consideration for the resource requirements, number of sites and remote location. The Yukon's assessment plan is dictated by the Yukon Devolution Transfer Agreement effective April 1, 2003.</p> <p>The Regional Directors will report on the progress against their site assessment action plan on an annual basis.</p> <p>The IIA CSM Program does not currently have a nationally consistent,</p>	<p>January 31, 2010</p>	<p>Status: Completed</p> <p>Update/Rationale: As of 31/03/2010:</p> <p>The NWT region recently completed a long-term plan for the management of its contaminated sites, including the assessment of suspected sites.</p> <p>Nunavut already had such a plan in place over the last several years and updates this plan on an annual basis.</p> <p>These long-term plans are shared between the regions.</p> <p>Each region reports to HQ on a quarterly basis on their progress on site assessments.</p>

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	<p>documented and risk-based approach to identifying potential contaminated sites. The development of such an approach will be addressed as part of the CSM Program Renewal in fiscal year 2010-2011.</p> <p>Headquarters is conducting a Program Review of the IIA CSM Program in partnership with regional staff. This Review will address the issue of consistency of documentation and data collected in contaminated sites management activities across the country. It will also establish clear targets in order to facilitate the timely assessment and remediation of sites and implement performance indicators to gauge progress.</p>	March 31, 2011	AES: Close
<p>7. The Contaminated Sites Program (HQ) should clearly outline and communicate to the regions the documentation protocols for cost estimates. Each line item within a cost estimate should have supporting documentation (e.g. independent site assignment, contract bid, industry standard costs). The rationale used to determine a preferred remediation approach should be outlined and documented in order to appropriately link the selected</p>	<p>The CSP works closely with independent engineers to peer review all major contaminated sites projects, including reviewing the selection of remediation approach and associated cost estimates. The CSP's Cost Estimating Guide also includes a section on Information Required to Support Estimates which will guide project managers. A new database is being developed to store all cost related information. All studies and closure options reports are currently being saved in Collaboration and its full implementation is expected next fiscal</p>	June 30, 2010	<p>Status:</p> <p>Update/Rationale: As of 30/09/2011:</p> <p>Northern Affairs Organization Update -</p> <p>NAO- Underway</p> <p>The CSP's Corporate Procedures and associated documents – including the Cost Estimating Guide are</p>

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<p>remediation approach and estimated liability to the independent assessment obtained.</p>	<p>year.</p> <p>The IIA CSM Program will review current documentation practices for cost estimations in regions and the North in order to determine the feasibility of developing national documentation protocols. Consultations with regional and northern staff will be conducted to determine the most appropriate methods of establishing documentation protocols.</p>	<p>March 31, 2010</p>	<p>currently being revised. Three revisions will adhere to the Treasury Board Guide to Costing and be in line with the Policy on Investment Planning and the Policy on the Management of Projects. In addition, once the Corporate Procedures are finalized, training will be provided to the Regions to explain the revisions and provide a refresher for all staff. Draft documents are being reviewed in preparation for discussion with Program staff at the Annual General Meeting in December 2011.</p> <p>Lands and Economic Development Update:</p> <p>LED – Ongoing</p> <p>The Contaminated Sites Management Program (CSMP) adopted the FCSAP National Documentation Protocols for liability and cost estimation. Information concerning the Protocols has been communicated to the Regions (South of 60) and was incorporated in the reporting of 2010 - 2011 environmental liabilities.</p> <p>As part of the Environmental Liabilities Control Framework a Corporate Procedures manual for accounting of environmental liabilities is being produced. The procedures will address the documentation protocol related to environmental liabilities for the department. Regions will be trained accordingly on their roles and responsibilities. The implementation of this Corporate Procedures manual is scheduled to be completed by the end of the fiscal year 2011-2012.</p>

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			AES: Ongoing
8. The process to adjust cost estimates submitted by the regions should incorporate the engagement of the regional staff involved in providing those estimates.	<p>Cost estimates are developed by regional project managers and approved by the Regional Director and Regional Director General through the Detailed Work Plan process. When an adjustment is made the following year, the same approval process will apply.</p> <p>The Contaminated Sites Program <i>Accounting for Costs and Liabilities</i> corporate procedure will be revised to include the requirement for approval of the final liability report by the Director's Committee prior to submission.</p>	TBD (dependent on final TBS guidance document)	<p>Status:</p> <p>Update/Rationale: As of 30/09/2011:</p> <p>Northern Affairs Organization Update -</p> <p>An initial draft of the CSP's Corporate Procedures and associated documents are currently being reviewed. This revision adheres to the new TBS Guidance on Remediation Liabilities Related to Contaminated Sites (Dec 2010). Revised (draft) Corporate Procedures now ensure that liability estimates are shared with the Regions – this activity is one of 59 identified Controls which was identified through the Environmental Liability Control Framework put in place as a response to the Audit of Liabilities (200730) – the implementation of all of these 59 Controls are scheduled to be completed by the end of 2011-12.</p>

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			<p>Lands and Economic Development Update - LED – Ongoing</p> <p>The process to adjust cost estimates submitted by the regions is being reviewed as part of the Environmental Liabilities Control Framework and will be addressed within the Corporate Procedures manual scheduled to be completed the end of fiscal year 2011-2012. The Regions will be trained accordingly on their roles and responsibilities related to the cost estimates.</p> <p>AES: Ongoing</p>
<p>9. LMRB should perform a review of all claim files to ensure that they meet the current requirements for documentation standards as outlined within the respective TBS and INAC policies.</p>	<p>LMRB, in conjunction with Department of Justice, will review all estimated amounts for each claim, in order to ascertain that it is supported by proper documentation.</p> <p>Furthermore, emphasis will be put on comprehension and understanding of the criteria for assessing the outcome of each claim. This step should reinforce the accuracy of reporting on the likelihood that claims materialize.</p>	<p>Q2 of FY 2009-10</p>	<p>Status: Completed</p> <p>Update/Rationale: As of 31/03/2010: LMRB, in conjunction with Department of Justice, has reviewed the estimated amount for each claim, in order to ascertain that it is supported by proper documentation.</p> <p>Furthermore, emphasis will be put on comprehension and understanding of the criteria for assessing the outcome of each claim. This step should reinforce our reporting on the likelihood of the claims.</p> <p>AES: Close – Fully Implemented</p>