



How is INAC Managing the Huge Influx of Budget 2016 Funds?

Presentation to FMI

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Agenda

- INAC Context
- INAC's Resource Management Budget 2016
 - Pre-Budget 2016 Phase
 - Post-Budget Announcement
- Resource Management Strategy vs Financial Stewardship Strategy
 - Early Fiscal Year
 - Mid-Year Milestone
 - 4th Quarter Execution
- Opportunities for Improvement and Lessons Learned
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INAC Context



PM quote: "No relationship more important to me than the relationship with Indigenous Peoples."

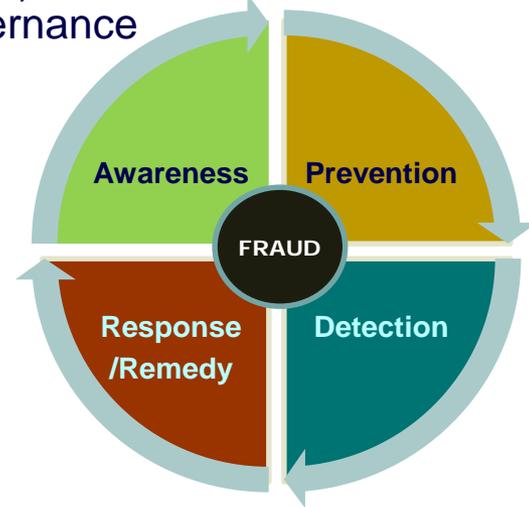
(Taken from Mandate Letter)

- **Mandate:** to improve the socio-economic lives of Indigenous Peoples and Northerners
- **Clientèle:** Indigenous Peoples (First Nations, Inuit and Métis)
- **Feature:** Manages more than \$7 billion in grants and contributions per year



INAC Context – ‘cond

- **Gap:** Vast gap between Aboriginal Canadians and Canadians in general if human development index indicators were applied.
- **Current Government of Canada Priorities:** Renew the nation-to-nation relationship with Indigenous Peoples, based on recognition of rights, respect, co-operation and partnership (*reference included in every Cabinet Minister's Mandate Letter and supported with \$ 8.4 billion over 5 years in additional funds in Budget 2016*)
- **Risk Management:** INAC has put in place a number of measures to strengthen internal controls (e.g. mitigate risk of fraud) and ensure accountability (In consideration of First Nations' governance and financial management capacity in the transfer of current and future increasing levels of funding)





INAC's Resource Management Strategy

Pre-Budget 2016 Phase

- Cost Challenge Function of Budget 2016 Submissions
- Flexibility to transfer funds between asset categories within the Infrastructure Program
- Assessment of Flex associated with Budget 2016 Submissions
- Focus on results, what the funds will yield, as well as the internal resource need to deliver results

Post-Budget 2016 Announcement

- Work with other Corporate Services and Programs to get prepared (HR Tiger Teams, TB streamlined attestation) including advanced spending to develop program capacity
- Revisit internal governance procedures for infrastructure spending to permit faster spending
- Allocate 2016-2017 budgets earlier across the department





Resource Management



Financial Stewardship

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Early Fiscal Year

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Resource Management Strategy

Process

- Frequent calls for Additional Spending across Votes
- Periodic Budget 2016 implementation reporting and assessments
- Aggressive but measured over-programming, based on historical spending trends, to ensure all funds could be invested

Resource

- Programs hiring staff in the front-lines to assess funding proposals, conduct site-visits, assess recipient progress reporting
- Finance increasing staff capacity in payment processing and procurement
- Hiring consultants while staffing procedures underway
- Revisiting internal security clearance for hiring

Financial Stewardship Strategy

Governance

- Greater transparency and collaboration in the oversight of infrastructure funding as all regions, human resources, and finance officials are part of an oversight committee; allows for collaborative and real time decision making
- Funding Agreements prepared that correlate to risk profile of recipient
- Gap analysis initiated between existing management control frameworks and internal controls against fraud risk schemes

Tools

- Audit and Evaluation preparing due diligence checklist
- Programs updating training and other material for recipients on appropriate financial management procedures





Mid-Year Milestone

Resource Management Strategy

- Deep dive of Departmental financial situation
- Development of Options to deal with Residual Flex including transfer of flex from Vote 1 to 10 through Supps, leveraging ARLU for reprofiles, infrastructure funding allocated between asset categories, and development of spending initiatives between January and March consistent with Ministerial priorities as year-end lapses materialize

Financial Stewardship Strategy

- Preparations begin for 2017-2018 Project recipient audits and funding agreement recipient audits
- Management of cash flow under funding agreements that are correlated to progress reporting from recipients
- Implementation of fraud risk mitigation plans arising from gap analysis
- Establishment of new Governance Committee
- Regular briefing of Departmental Audit Committee and Financial Management Committee

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4th Quarter Execution

Resource Management Strategy

- Go-ahead to spending initiatives (that have pre-determined cut-off dates for spending) as lapses materialize, based on weekly departmental lapse situation reporting
- Overall Assessment (to date): Strategy proceeding according to plan; currently awaiting 4th quarter execution based on falling below operating budget carry-forward limit and minimal Vote 10 lapse

Financial Stewardship Strategy

- Site Visits
- Staff alert to external information that may raise questions of appropriate financial management of funds transferred, and actions taken accordingly
- Overall Assessment (to date): On target, work remains to be done consistent with the majority of spending in the 3rd and 4th quarters

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Opportunities for Improvement & Lessons Learned

- Challenge ramp-up of spending (hiring and contracting always take longer than planned)
- Initiate financial stewardship procedures earlier (don't lose sight of financial stewardship even though initial focus is getting money out the door)
- Systematize financial and performance metrics reporting
- Preparation of 4th quarter spending opportunities earlier in the new year
- Educate and signal early to Ministers and Deputies the life cycle to flow funding to recipients in order to manage expectations





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