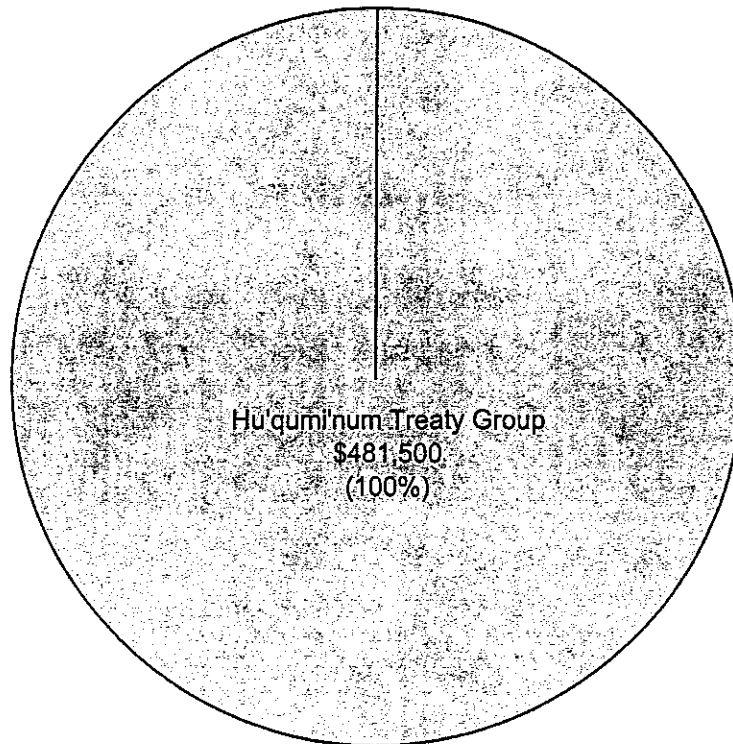




2005-06 Annual Report

TREATY NEGOTIATION

Revenue - \$481,500



100% of the funding for Cowichan Tribes Treaty Department comes from the Hul'qumi'num Treaty Group (HTG), which in turn receives its funding from the BC Treaty Commission (BCTC). In 2003 Cowichan Tribes Chief & Council decided to undertake the following:

- Supplement HTG's communications with Cowichan-specific communications

- Advance negotiations in areas that we are ready to move forward on; and
- Conduct treaty research specific to Cowichan Tribes to ensure Cowichan's position in negotiations is not compromised.

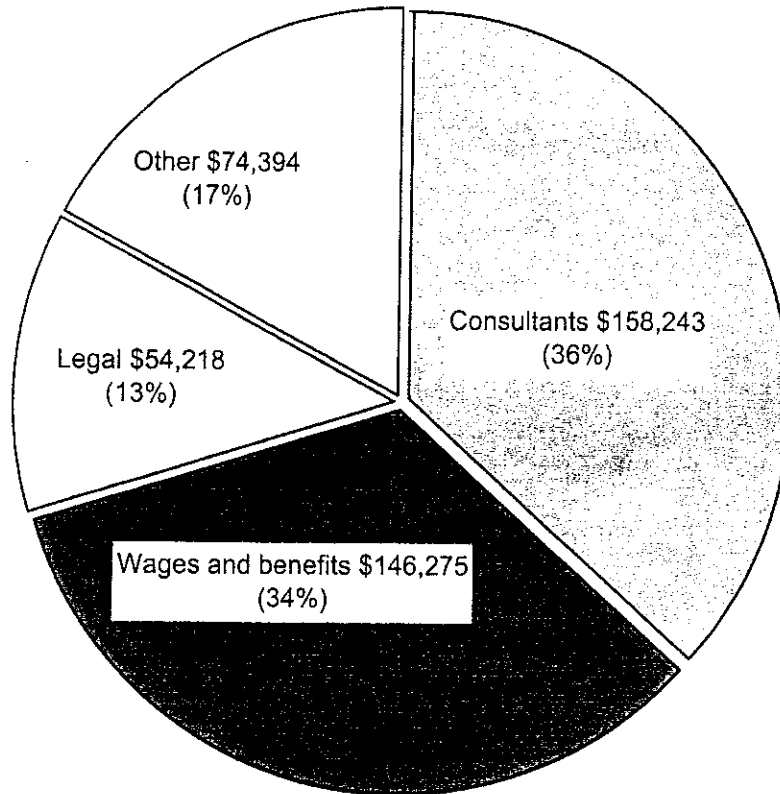
Cowichan Tribes Chief & Council continue to support this mandate from year to year and to date it remains unchanged.



2005-06 Annual Report

TREATY NEGOTIATION

Expenditure - \$433,130



36% of the funds were used for treaty related research (specific to Cowichan Tribes) and the consultants that were contracted are listed on the first page. 34% Wages and Benefits covers 6 full time staff – 1 coordinator, 1 community liaison supervisor, 1 administration clerk, 3 community liaisons, and 1 part time janitor. 13% of the funds were spent on Legal Counsel (Botterell & Company Barristers & Solicitors) which provides legal advice on treaty issues & negotiations specific to Cowichan Tribes. The remaining 17% (Other) covered administration costs including office rent, accounting & audit, administration fee, office supplies, office equipment, advertising, honoraria, staff travel, and staff training.

Capacity building is essential for the department to effectively deliver information and messages to the community. The treaty staff were encouraged and supported to access training that would enhance or build on their present skills. Training for the staff included: MS Publisher; Wow What a Great Event, Food Safe Course; Keys to Effective Editing; MS Access; Excelling as a First Time Manager/Supervisor; Poised & Powerful Public Speaking; Front Desk Superstar; BC Treaty Commission Training; Constitution Training; Cultural Protocol & Delivery Etiquette Training.



MEDIA ADVISORY

FOR IMMEDIATE RELEASE

Cowichan Tribes Establishes Parallel Treaty Table

May 11, 2007

DUNCAN, BC – Today Cowichan Tribes announced its plans to establish a parallel Cowichan Treaty Table. The Cowichan Treaty Table will be overseen by the British Columbia Treaty Commission (BCTC) process, but independent of the Hul'qumi'num Treaty Group.

“We have been in the treaty process for over 10 years and it is time for Cowichan Tribes to establish a new made-in-Cowichan approach to accelerated treaty negotiations”, said Chief Harvey Alphonse, “All treaty tables face challenges, and Cowichan Tribes is hopeful other First Nations, BC, and Canada, will support and respect the wish of Cowichan Tribes to try a new made-in-Cowichan approach.”

An important feature of the new made-in-Cowichan approach will be ongoing comprehensive input from Cowichan members and continuing efforts to further enhance strong relationships with local governments and businesses. “Building a treaty consensus should be easier, now that we will be able to concentrate on the pressing needs and interests of our 4,000 members,” commented Chief Alphonse.

In 2008, Cowichan Tribes will host the 2008 North American Indigenous Games. Chief Alphonse stated, “The Games offer a once in a generation opportunity to celebrate our youth and our culture and take the opportunity to develop new relationships and new approaches on many fronts.”

Cowichan Tribes is the largest Indian Band in British Columbia with over 4,000 members. Transition planning is underway and Cowichan Tribes hopes to establish a parallel treaty table by July 1, 2007.

Media Contacts: Chief Harvey Alphonse Phone: (250) 748-3196

We are writing to all First Nations regarding the upcoming audit of Negotiation Support Funding received for the year ending March 31, 2007.

As set out under Section 10.1 of the First Nation Negotiation Support Agreement, before October 1, First Nations are required to deliver to the British Columbia Treaty Commission ("the Commission") audited financial statements for the fiscal year respecting the contribution and any Loan Advances received under the First Nation Negotiation Support Agreement, Expenditures and any unexpended funds from a previous First Nation Funding Agreement.

The Commission requests that your First Nation with the assistance of your Auditor, as set out under Section 10.2 of the First Nation Negotiation Support Agreement, provide the information in order for the Commission "to be satisfied that the contribution payments and loan advances were used for the purposes set out in Section 2.1", which requires that the funding provided was used "to prepare for and carry out treaty negotiations".

The Auditor's Report on Compliance plays an important role in the Commission being satisfied of the appropriate use of funds. It is equally important that the First Nation maintain an adequate system of financial controls to ensure that expenditure of negotiation support funding is for treaty negotiations only. We note that specific claims are not an acceptable expenditure of negotiation support funding, as there is a separate bilateral process for addressing specific claims, which would involve the First Nation and Canada. We further note that expenditure of negotiation support funding must also be in accordance with the budget approved by the Commission, and be for costs incurred in the fiscal year ended March 31, 2007. If a First Nation incurs a deficit, it is up to the First Nation to ensure that other resources are available to cover the deficit. For clarity, our authorities do not allow the Commission to allocate negotiation support funding to cover a deficit from a previous year.

Please ensure that these instructions are passed on to the other auditors who may be auditing the treaty funding of member First Nation communities, which form part of the consolidated audited treaty statements. It is important that all financial information contributing to the overall First Nation treaty audit meets the audit requirements. This will also avoid any unnecessary follow up once the audit is complete.

We are enclosing sample statements and reports and we request that you instruct your auditor to follow this format. Please note that a separate Balance Sheet for the Treaty Fund is required for the reason set out in point 10. It is also our expectation that, in accordance with standard auditing practices, your auditor will:

1. Review the relevant sections of the most recent First Nation Negotiation Support Agreement relating to the First Nation's liability to Canada for negotiation support funding and for maintaining a system of adequate financial controls to ensure that negotiation support funding is spent only on expenditures as defined in the Agreement. This includes maintaining separate records and procedures, which conform to generally accepted accounting principles.

Please note that the date of the First Nation Negotiation Support Agreement must be referenced in the Auditor's Report on Compliance with an Agreement and Note 1. The dates of First Nation Negotiation

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Support Agreements, which would include any Amendment of Funding Amount Agreement(s), refers to the 2006/2007 fiscal year unless the First Nation did not receive new funds in 2006/2007. The Commission can confirm the Agreement and Amendment dates, the funding for the current year and the outstanding loan balance directly to your auditor.

2. Provide a separate balance sheet for the Treaty Fund.
3. Complete a Report on Compliance with an Agreement, including the Schedule to the Auditor's report on Compliance with an Agreement, in addition to the regular audit report. We reiterate that this report is to use the exact wording as provided in the samples statements, unless there is a specific reason to alter the wording (for example, noting an item of concern).

As previously noted, in this report the auditor is to confirm that expenditures were compared to the final budget approved by the Commission, and that either no material variances were found or the material variances are documented in an attached schedule with explanations for the variances. The Commission is not concerned where expenditures are below budget, except as this may relate the expenditures exceeding budgeted amount in other categories.

4. Compare the final 2006/2007 budget approved by the Commission and the workplan submitted by the First Nation for negotiation support funding with the actual "Expenditures" and document any significant variances. The Commission will provide a copy of the final approved budget upon request. If a First Nation anticipates a notable change in the budget, the First Nation can submit a revised budget to the Commission for approval prior the end of the fiscal year. This will avoid unnecessary follow up.
5. Ensure that revenues include only contribution payments and loan advances for the year. Interest income need not be included. Ensure that the Revenues and the Expenditures are presented net in the financial statements. If any of your Expenditures are reimbursed, the appropriate Expenditure item is to be reduced accordingly, rather than including the reimbursement as revenues.
6. Understand that if a First Nation or central treaty office transfers or disburses negotiation support funding to another department or member First Nation for treaty-related purposes, the First Nation or central office must ensure that a sub-budget for those funds, that is consistent with the final budget approved by the Commission, is approved by the First Nation or entity that directly receives the negotiation support funding. These expenditures must also be accounted for on the statement of receipts and expenditures.
7. Understand that if the First Nation or other entity that receives negotiation support funding from the Commission transfers or disburses negotiation support funding to a member band or community (the other party), the "expenditures" by the other party related to these transfers or disbursements must be audited and in compliance with the Agreement. If these transfers are accounted for on the Statement of Receipts and Expenditures as a one line item (for example: "Transferred to ABC Band \$100,000"), a separate Statement of Receipt and Expenditures and a separate Balance Sheet reporting on these funds by ABC Band(s) is required. Separate Auditor's Report and Compliance Report will also be required from the ABC Band(s).
8. Ensure that transfers to other departments or programs for treaty related services accounted for on the Statement of Receipt and Expenditures as a one line item (for example "Transferred to other programs \$25,000"), are described in a note to the Financial Statements.
9. Understand that repayable transfers or loans to other departments or entities (i.e. Due to/from Operating Funds, Accounts Receivables, etc.) are not acceptable.
10. Document the system of financial controls, which ensure that expenditures of negotiation support funding are only for treaty negotiations, in accordance with the budget approved by the Commission. Budgets are approved and funding provided only for one fiscal year at a time. Therefore, while under accounting rules prepaid items are technically not expenditures in the current fiscal year, they are clearly not approved in an annual budget. With a prepaid item, the funds have already been sent to another entity but the Commission has not given the approval for the use of the funds. (Small amounts of prepaid expenses such as postage or insurance will be accepted.)
11. Review invoices for legal and other professional and consulting fees charges to ensure that the services were for treaty negotiations only. Where the invoice detail is inadequate, obtain third party confirmation of the amount that should be allocated to treaty negotiations. This is to ensure that the Negotiation

Support Funding is not used to prepare for or participate in litigation or other non-treaty matters, in accordance with section 2.1 of the Agreement.

12. Use the Auditor's professional judgment in identifying positive material variances from budget line items.
13. Obtain a letter of representation from the First Nation's governing authority confirming the amount of the loan payable to Canada as at March 31, 2007 and that all disbursements of negotiations support funding were for treaty negotiations only.
14. Confirm the reasonableness and document the basis for allocations or transfers of general expenses charged to treaty negotiations (for example office salaries, rent, office overheads), and comment on them.
15. Confirm that expenses for travel, accommodation and meals are charged fully to treaty negotiations only if the purpose of the expenses is related 100% to treaty negotiations. If other business was conducted during the trip, confirm that the appropriate cost allocations have been made.
16. Provide the First Nation's governing authority with a Management Letter outlining internal control weaknesses, if any, noted during the audit and document the First Nation's responses to the observations.
17. Review minutes of Council/Board meetings relating to Treaty Negotiations.
18. In performing these audit procedures, use an appropriate level of materiality, risk assessment and testing which may be different from that used in auditing other programs or the combined or consolidated financial statements of the First Nation. Consider related party transactions in the context of CICA Risk Alert Issue 16, December 2004.
19. Understand that the purpose of negotiation support funding is to prepare for and to carry out treaty negotiations, not build the asset base of the First Nation. Major capital purchases will not be approved in the treaty budgets. The Commission recommends that any essential, major capital purchases be made by the First Nation, and then the treaty office lease or rent the asset from the First Nation. However, the Commission can approve purchases of small capital assets that depreciate rapidly and require frequent replacement, such as computer equipment.

We outline these specific procedures, as they may be unique to an audit of negotiation support funding. They are not intended as a minimum standard audit of work. Your auditor will use their professional judgment to determine the appropriate procedures to be performed to support their audit opinion.

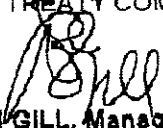
The First Nation's reporting relationship with Canada does not concern the Treaty Commission. However, the Commission believes there is no reason to disclose detailed treaty expenditures to Canada in the same format that such expenditures are disclosed to the Commission. We understand that the Department of Indian and Northern Development will accept the following sample presentation in a First Nation's consolidated financial statements, with respect to the schedule for treaty negotiations:

Revenues	\$x
Expenditures	\$y
Excess/Deficit of Revenues over Expenditures	\$x-y
Loans Payable	\$z

If you or your auditors have any questions regarding the above, do not hesitate to contact me at (604) 462-9209.

With Respect,

B.C. TREATY COMMISSION


DAN GILL, Manager
Negotiation Support Funding

Tribes want 'parallel' treaty table

BY ANDREA RONDEAU
CITIZEN STAFF

Nobody was talking about an announcement by Cowichan Tribes late Friday that they plan to establish a parallel Cowichan Treaty table by July 1 independent of the Hul'qumi'num Treaty Group.

The new treaty table will be overseen by the B.C. Treaty Commission, Tribes said in a news release.

"We have been in the treaty process for over 10 years and it is time for Cowichan Tribes to establish a new made-in-Cowichan approach to accelerated treaty negotiations," Chief Harvey Alphonse said in the release. "All treaty tables face challenges, and Cowichan Tribes is hopeful other First Nations, B.C., and Canada will support and respect the wish of Cowichan Tribes to try a new made-in-Cowichan approach."

An important feature of the new table will be ongoing input from Cowichan Tribes members, the release said.

Alphonse said the treaty process should be easier with the new table, as it will concentrate solely on the needs and interests of the 4,000 Tribes members.

The announcement comes after the Hul'qumi'num Treaty Group helped found the Unity Protocol, formed out of frustration among First Nations negotiators over slow progress.

They wany key issues negotiated separately and threatened blockades and other actions.

The Hul'qumi'num Treaty Group represents Cowichan Tribes, the Penelakut Tribe, and the Halalt, Chemainus, Lake Cowichan, and Lyackson First Nations.

According to Cowichan Tribes, Chief Alphonse was out of town this week and not available to answer questions about why the band has decided to take the route of an independent treaty table.

Robert Morales, Chief Negotiator for the HTG, did not return calls to answer questions about what this will mean for the Group, of which Cowichan Tribes is the largest member, as well as future negotiations with the provincial and federal governments.

The B.C. Treaty Commission also did not return calls to confirm whether Cowichan Tribes will be allowed to set up the parallel table, and what it means for the treaty process.

It is unknown whether the announcement by came as a surprise to the Commission and HTG.