

RCMP-GRC® “H” Division Pipes & Drums¹
Director’s Audit Review (Oct. 1st, 2006 - Sept. 30st, 2007)
January 20th, 2008

EXECUTIVE SUMMARY

This report is an independent² internal director’s review of the financial statements and records of the **“H” Division Mounted Police Pipes & Drums Society** (the “Society”) and its predecessor unincorporated association for the fiscal Reporting Period, October 1st, 2006 - September 30th, 2007 (the “Year” or “Reporting Period”). This review was conducted by, Kevin A. MacDonald, at the request of Treasurer, Yvonne Leduc who asked me “to do an audit of the books”. I took this to mean to review, document and certify as correct, the internally prepared year end financial statements and records of the Society for the Year.

I also felt it prudent to comment on governance and financial matters arising from my review warranting further action. The Reporting Period under review does not reflect the present prescribed year end as explained below. It will need to be changed by Amendments to the By-Laws at the inaugural AGM (March, 2008). This report also serves as a historical record of the Society’s roots; and, a transition template for its further evolution.

I have concluded and certify that the Band³ has been well run and its books are in order. It had strong financial performance during the Reporting Period which is properly accounted for and proper records maintained. It has developed and maintains good financial controls and business practices. For good and valid reasons, several operational and governance changes are desirable and are presently being reviewed or implemented by the Management Team⁴ as more fully set out herein.

¹ Name as appears on the **CIBC Business Operating Account**. The Bank was specially asked not to use “RCMP” on the account to ensure no confusion that the account were “private” not “public” funds. This has been pointed out to them and they confirm this is an internal Bank error which they are presently correcting.

² Independent of the Treasurer by an interested Member, Director, and its Registered Agent.

³ As the term is defined and used in the body of the report, *infra*.

⁴ Directors, Officers, Managers and Band Functionaries, such as Quartermaster, Drum Sergeant, etc.

I set out below my full findings and attach as Schedule “A”, (with a separate extra copy for ease of future reference), an action list of recommendations and implementation timing logic. This Executive Summary and Schedule “A” will be sufficient reading to understand the recommended future direction of the Society. For those who would like to know the full details of my Review and why I so opine, those are set out below.

INTRODUCTION

The Society was incorporated pursuant to the *Societies Act (NS)*⁵, on March 15th, 2007 as the “*H*” *Division Mounted Police Pipes & Drums Society*. It is the current governance model for what is publicly referred to as (or a variant of) - *RCMP Pipes & Drums Nova Scotia*. Prior to incorporation, the Band operated as an unincorporated association with several prior legal and operational names. Throughout, it has been a not-for-profit pipe & drum band composed of volunteer civilians and RCMP-GRC® members (the “Band”), proudly representing the Force and its iconic traditions and wearing its Badges of Honour.

The Band was formed in the Spring of 2004⁶, under the leadership of Pipe Major Wayne Moug and Const. Marion Fraser, as the “*H*” *Division Mounted Police Pipes & Drums*⁷. It is one of seven RCMP-GRC® Pipes & Drums across Canada which have the unique privilege and honour of actively representing the RCMP-GRC® (the “Force”) as uniformed, volunteer civilian & “Regular Member”⁸ bands, operating as not-for-profit entities providing both outreach to the community⁹ and serving the ceremonial needs of

⁵ Cited as the *Societies Act*, R.S.N.S.(1989), C.435, S.1.

⁶ First meeting to form the Band was the last week of April, 2004 with weekly practices commencing the first week of May, 2004. Its first “parade season” was in 2005

⁷ Force policy prohibited the use of “RCMP-GRC®” in our governance (legal) name or financial documents to ensure no perception that its private funds are RCMP (public) funds. We are permitted to use “Mounted Police”. Our bass drum and other decals, uniform, badges, etc. bear the distinctive Registered Trade Mark (“RCMP-GRC®”) with permission, consistent with Force policy and our mandate of “engaging the public”. “H” Division is the Force’s jurisdictional reference to Nova Scotia; and, as it was seen as “obscure” to the public, we operate under the public persona of the *RCMP-GRC® Pipes & Drums, Nova Scotia*.

⁸ RCMP-GRC® Members who participate in the Band as extra duty in addition to their regular duties. We presently have three Regular with two others on leave of absence subsequent to posting to NFLD.

⁹ Hence our motto - “Benefitting the Community through Music”. Query whether “Serving the Community Through Music” or “Service Through Music”, would be more in keeping with the Force’s tradition of Service to Community?

Canada's National Police force.

We proudly wear the world famous RCMP-GRC® Red Serge Kilt Tunic, RCMP-GRC® Tartan Kilt, RCMP-GRC® Ceremonial Belt, RCMP-GRC® Collar Dogs, Hat & Belt Badges, with generic Navy Blue Hoses, Red Flashes, White Spats (or, Gaiters) and Navy Blue Glengarry. To the public we are RCMP-GRC® "members/officers" and therefore expected to maintain the same high standards that apply to the Force.

As such, the Band meets or exceeds the Force's screening, structure & rank, drill & deportment standards; and, traditions, in addition to the governance structure required of a Nova Scotia incorporated society. This defines and drives the governance/operational model as interpreted and augmented by the Directors' and Management Teams' collective skill and experience with band governance & management S.O.P.'s¹⁰ and best practices.

The Band is self-funding through initial loans from various members in various amounts both loaned directly (highest loan amount being approx. \$8,000.00); and, by member sponsored purchase of some uniform items, primarily the kilt (approx. \$800.00/kilt) and by small members loans by way of voluntary refundable "dues" paid in the \$5-\$20 range per practice over 12 - 16 months. The Band has also had an impressive year of revenue generation by playing parades and shows for fees and honorariums.

The Board of Directors has determined it prudent to register with the *Canada Customs & Revenue Agency* ("CCRA" or "Revenue Canada") to collect and remit HST¹¹ and is actively investigating the merits of applying to the CCRA for Charity status. Since the initial draft of this report, the Band became an HST Registrant, effective January 1st, 2008. Our HST number is: **845669795 RT 001**. This is presently being added to all our standard templates/forms for quotes, invoices and similar financial documents as required by law.

Since its inception, the Band has practiced and maintains a standard of strict compliance with; and, respect for all laws and policies that apply to it, consistent with the finest traditions of the Force and its motto - "*Maintiens Le Droit*"¹². Its actions have been transparent, informed and consistent with its operational and governance duties; and, the highest standard of ethical conduct (which is required of every band member in addition

¹⁰ Military/Para-Military acronym for "Standard Operating Procedures"

¹¹ 13% as of January 1st, 2008.

¹² Maintain or Keep the Laws/Rights.

to their musical or administrative duties)¹³.

This report is intended to document for Member and third party scrutiny the financial results for the Reporting Period, explain and memorialize governance changes during the year and continuing; and, make recommendations for future action where deficiencies or opportunities have been noted.

THE BAND

From the beginning, the Band operated under a Constitution and By-law, which had been adapted by a Member from one kindly provided by our colleagues in the Codiak, New Brunswick Band¹⁴. In March of 2006, an application to incorporate under Part II of the *Canada Business and Corporation Act* was prepared but does not appear to have been processed to final issuance of incorporating certificate.

The name sought to be incorporated under at that time was: ***“H” Division Mounted Police Pipes and Drums Inc.*** Our incorporation status became an issue in February of 2007, when a Revenue Canada Business Number¹⁵ application was initiated and the required Certificate of Registration could not be ascertained.

In the result, the Management Team consisting of the officers, directors and Management Functionaries under the non-processed corporation, acting bona fides and consistent with the putative constating documents, took immediate steps to incorporate under the *Societies Act (NS)*.

The original Constitution & By-Law was “morphed” into the Memorandum of Association & By-Law of the Society under the current legal name - ***“H” Division Mounted Police Pipes and Drums Society***. The operational and public persona & name of the Band as “advertized” on our bass drum and web site, etc. is ***RCMP-GRC® Pipes and Drums Nova Scotia***; as, generally speaking, the public does not understand nor appreciate the reference to “H” Division as the jurisdiction of Nova Scotia.

¹³ The Society’s By-Laws prescribe the Membership categories and privileges and are available for viewing on request.

¹⁴ RCMP-GRC® Pipes and Drums, Detachment, Codiak, N.B.

¹⁵ BN was required by Federal Fiscal Policy before the Band could be paid for jobs performed for federal agencies, including the Force.

The fiscal year for the unincorporated association, as herein applicable and reported on, was October 1st - September 30th. In anticipation of incorporating, further consideration was given to the appropriate year end and at that time an April 1st - March 31st financial year seemed desirable given our ties to the federal government which uses the same year end. As such this was adopted in our By-Law and the Society's year end is presently March 31st.

With our experience this past fall with significant cruise ship payments into October/November; and, given Revenue Canada's preference that not-for-profits have a December 31st year end; and, noting that the required AGM within three months thereafter, would fall in the slower practice season (January - ¹⁶March), the Directors voted¹⁷ to move the financial year to the calendar year and duly amend our By-Law to so prescribe.

In the result, the statements under review will form part of the new amended first year of the Society (March 15th, 2007 - December 31st, 2007) and will be used for the purposes of preparing the first full year's budget for the Society's fiscal year January 1st - December 31st, 2008.

It is noted that the name presently used on the CIBC Business Operating Accounts (as noted above) is RCMP "*H*" Division Pipes & Drums as a result of internal bank error and this use is not permitted by Force Policy. As such, the CIBC Operating Account needs to be amended accordingly to remove any reference to RCMP-GRC®. This has already been imitated by the Management Team as reported on more fully herein.

When the Business Number¹⁸ was applied for in the Spring of 2007, it was unexpected that we would be meet or exceed the \$30,000.00 HST registration threshold so we did not register for and did not collect HST during the Reporting Period.

The past year's performance season's revenue together with member loans suggest that applying to be a HST registrant for 2008 and forward is prudent and was approved at the

¹⁶ When day practices are held generally monthly thereby naturally accommodating a 1-2 hour AGM.

¹⁷ The decision to recommend a change of fiscal year end to the membership at the AGM was approved at the Management Team meeting of November 19th, 2007.

¹⁸ BN 845669795

Management Team meeting of November 19th, 2007¹⁹. It has been completed as noted above. Effective January 1st, 2008 we will collect and remit HST annually.

The Management Team is also considering other revisions to the By-Laws relating to the governance structure; and, to the extent practicable, all amendments should be presented in one motion at our AGM to be held in or about March, 2008.

Finally, as I intend that this review audit confirm actions taken before incorporation and accounts for funds, assets and inventory²⁰ assumed by the Society from the unincorporated association, I will report on my findings that the Band has been well run and we are on an increasingly sound financial position and moving towards full self-sustainability.

Take notice therefore that, I will move at the AGM to ratify all actions taken by the association's "stewards" and the present Board of Directors in the transition and leading up to our first AGM in 2008.

Additionally, I recommend the Band adopts a policy of indemnifying and holding harmless its officers and directors for all acts and omissions taken or refrained from being taken in good faith and in the absence of gross negligence.²¹ I also recommend that the Band investigate obtaining D & O Insurance if the cost is reasonable in relation to the low potential risk of any claim be made.

NOTICE TO READER

This review has not been prepared or directed by an Accountant or Financial Advisor. It is in no way meant to be an opinion of compliance with or reflective of Generally Accepted Accounting Principles ("GAAP"). It is instead a good faith review by a Member, Director and the Registered Agent of the Society who is also a practicing Nova

¹⁹ Application to be for the minimum reporting requirements permissible by law.

²⁰ A Schedule of Assets and Inventory should be prepared and attached to this report and the Directors' Report for Member review and ratification and adoption at AGM.

²¹ Fairly standard policy and wording in keeping with the tenor of the provisions of the *Volunteer Protection Act (NS)*.

Scotia lawyer who has acted as Treasurer for several not-for-profits Societies²². Although I have had on-going minor involvement in financial reporting issues from time to time through my legal practice, I do not have any special training nor education in financial accounting, reporting or book keeping.

The current Treasurer of the Society, Yvonne Leduc is an experienced senior Banking Official with the Bank of Nova Scotia. She has extensive experience with books of accounts and reporting requirements for businesses and not-for-profits; but, she too is not a trained accountant nor book keeper.

Her request for this review was to identify any unintended errors in her book keeping and financial records in accordance with best practices where, as here, a chartered accountant or book keeper was not be hired due to limited financial resources of the Band and given the fairly low volume of transactions and corresponding risk of inadvertent error or defalcation.

The opinion and certification below is not, nor is it intend to be legal or accounting advice. It is a good faith personal opinion based on my knowledge and experience with other not-for-profit organizations and their financial and risk management practices.

OPINION & CERTIFICATION

I, Kevin A. MacDonald, do hereby certify as correct the statement and balances prepared by Treasurer, Yvonne Leduc and as reported more fully herein. In my opinion, reasonable checks and balances have been implemented and maintained by the Management Team and is reflective of a well managed band with good emerging governance practices and Standard Operating Procedures (“S.O.P.’s”) that continue to evolve as the Band and it operations expand.

Given the extent of pre-incorporation activity that should be reported to, discussed and ratified by the membership coupled with the reasons detailed below, I recommend a strategic planning “Blue Sky” session²³ with all Members in February, 2008 to present this transitional report and discuss and guide the further evolution of the Band and its

²² Admitted to the practice of law, August 16th, 1988. Treasurer for the Air Currency Enhancement Society (1991-1996); and, the Canadian Bar Association - NS (2004-2005).

²³ To deal with policy issues and future goals (example options for travel, etc.) to guide the Management Team with future decisions. Presently we have vision and mission which is current guides the Management Team.

policies. I would be pleased to facilitate this session²⁴.

I also recommend that a standing Strategic Planning Committee be struck; or, at a minimum, a director/officer assigned to review this portfolio from time to time, to ensure that our vision and mission stays current and reflective of the membership and operational goals of the RCMP-GRC®

METHODOLOGY

In anticipation of a required year reporting requirement for the Reporting Period ending September 30th, 2007²⁵, Yvonne Leduc asked me in mid-late September, 2007 if I would conduct an “audit” of the books scheduled to be finalized in early November. I agreed subject to the caveats noted above.

As a power pilot and glider instructor, I have had experience in the past of “certifying” DOT log books and determined I would use the same standard of “correctness” for the balances disclosed in the banking statements and other calculations. Based on prior experience with other Societies, I determined that a review of 10 - 15 random sample transactions from start to finish to test for any errors or deficiencies in reporting, accounting, or record keeping practices would be prudent and sufficient.

At the same time, I felt it prudent to examine existing practices with our By-Law, Policies and Procedures (“BP&P”) and make recommendations for future action based on what I observed and learned. In effect, I viewed myself as a “fresh pair of eyes” with the power to recommend.

In my opinion, the approach adopted gives a reasonable degree of certainty in keeping with the concomitant risk in the event of undetected error. There is very high degree of certainty that no irregularities or evidence of improper accounting practices can be found on reasonable review of the books and records of the Society.

I have concluded that to give the desired high degree of comfort to our Members; and, in light of the transitional and other issues detailed above, I should fully document what I

²⁴ Trainer III with Scouts Canada (highest National Training Accreditation) and have facilitated strategic planning sessions for Scouts, the Duke of Edinburgh Award Programme - NS Division (currently VP and Chair of the Strategic Planning Committee) and CBA-NS when I was President (currently Past President).

²⁵ Since changed and presently being changed again at the March 2008, AGM, as note herein.

did and why. As such, I set out below those particulars.

Finally, I felt it highly desirable that subsequent to my initial review to meet with Yvonne Leduc to review my methodology and preliminary results by way of draft report to ensure she agreed and had no other suggested approach(s)²⁶. The report was subsequently revised and then presented to the Management Team for final review and revision, as deemed necessary, before being certified herein with a view to being presented to the Membership in February, 2008 for adoption at the AGM in March, 2008.

REVIEW RESULTS

At the November 19th weekly Monday Band practice, Yvonne Leduc provided me with two beige file folders. I conducted my file review on November 25th. I spend approximately 6-7 hours reviewing the materials and noting my results herein.

I first examined the file folders provided to me. The first was noted to be "CIBC" and contained the cheque stubs and banking statements for the CIBC Business Operating Account and which was approximately one (1) inch thick.

The second was noted to be "2006/2007" and contained:

1. Bound Folder (15 page document) noted as:
"RCMP Pipes and Drums 2007B
Trial Balance (Cash basis) as at 09/30/2007"
2. Deposit Book (carbon copies) noted as:
"(H) Division Mounted Police Pipes and Drums"
3. Sub-File Folder:
Contained all receipts, invoices and slips, neatly organized in reverse chronological order. There was approx. 3 inches of documentation. Appropriate hand notations were made on various documents to confirm their status (such as: "*Paid October 21, 2006 by cheque # 1054*")

²⁶ First meeting occurring at practice on January 7th, 2008 to discuss draft report and propose approach. Yvonne welcome the proposed review of selected transactions that I would identify at random with her present, which occurred on Saturday January 19th, 2008 (the "Review Meeting").

My immediate impression was that the files and records were well organized and demonstrated due diligence on Yvonne's behalf. I next proceeded to verify the bank statements as correct, then randomly selected 15 transaction to see if they "traced". All were in order on the face of the records.

Finally, I concluded it prudent to meet with Yvonne to scrutinize randomly selected transactions and supporting materials and document the results and any observations arising from the review as set out below. I wanted Yvonne present to provide explanation and to ensure that all necessary information could be accessed.

REVIEW MEETINGS

The first of two "review" meetings took place at practice on January 7th, 2008 to discuss the draft report and proposed approach. Yvonne welcomed the suggested review of selected transactions that I would identify at random with her present (to provide explanation as required). She was comfortable with the draft report and methodology. The first meeting was approximately 10 minutes.

The second meeting took place prior to practice on Saturday January 19th, 2008 and lasted approximately 70 minutes. Yvonne had all of the paper files set out above and her lap top computer on which the books are maintained on a "Simply Accounting" program²⁷.

To ensure randomness and to ease into the process, I arbitrarily selected April 23rd, 2007 as my starting point. There being no transactions on that day, we next looked at April 24th. There were multiple transaction for that date, so I arbitrarily selected # 3. Myself and Yvonne then worked through various transactions on various dates and I reviewed all supporting documents associated with the transaction(s). Additionally, I queried various matters and policies arising from our review.

I set out those details below and attach as Schedule "B" photocopies (of original documents) as examples of the level of detail to support payments and confirmation of our policy not to have any reimbursement cheques to a signing officer, signed by that officer. All such cheques are signed by two others. It is to be noted that in all cases, reimbursement to Members is for Band expenses they personally paid (from there own resources) for rental vehicles/fuel, etc.; or, for use of their vehicles on behalf of the Band.

²⁷ Widely accepted accounting computer software program used by small business, and organization such as the Canadian Bar Association - Nova Scotia, among many others. Soft copy was also "backstopped" by paper copies.

These are prudent practices and underscores that “best practices” have been implemented and maintained by the Band.

All source documents are available and can be made available to any interested Member on reasonable notice to the Management Team & Yvonne. I personally reviewed with Yvonne’s assistance all of the supporting documents relating to the transactions detailed below.

Additionally, the Band has compiled a Governance Binder containing the Certificate of Incorporation; Memorandum of Association and By-Laws; Minutes of Meetings; and. Copy of the *Societies Act (NS)*. The Governance Binder is also available for inspection and review by any Member on reasonable notice to the Management Team.

The Management Team recognizes the importance of, and promotes transparency in all of its business affairs and dealings with the Membership, consistent with “best practices”.

REVIEW MEETING RESULTS

#	Date ²⁸	Cheque	Payee ²⁹	Description	Amount & Notes
1.	April 24	# 1042	Ray Hill	“Gas for Yarmouth”	\$62.45 - Noted in Books as Journal Post Code J39 and accords with amount and authorized activity.
2.	June 07	# 1057	Gerry Todd	“Jacket Alterations”	\$62.00 - Post Code J66. Initially posted as “wardrobe” but changed to “alterations” ³⁰ .

²⁸ All dates are 2007 unless otherwise noted.

²⁹ All payees are band members/directors for reimbursement of monies advanced necessary for band operations and related activity, consistent with our S.O.P.’s.

³⁰ Yvonne advised that when originally set up by prior Treasurer all alterations expenses were posted under wardrobe code assigned to “assets” rather than as a ‘Liability’. Yvonne sought some assistance re posting entries and learned that the better practice was to post as liability under the code-“alterations”. I noted that the Journal provides a note and explanation to this effect, once more confirming due diligence and best practice being employed.

3.	June 06, 2006	# 1015	Glen Leduc	"Apple Blossom - Sandwiches + gas"	\$114.94 - This is outside the review period but was included to test for continuity and consistency of prior reporting. Glen is Yvonne's husband and member of the Management Team.
4.	July 02	# 1059	Glen Leduc ³¹	"Drum + food"	\$552.46 - Purchase of Snare Drum (\$552.46), balance for eggs & bread for sandwiches, and water. Checked all receipts and descriptions and amounts ✓.
5.	July 02	#1061	Wayne Moug ³²	" Middleton ³³ & Chester - Van Rental + gas"	\$254.58 - Receipts ✓ \$31.85 Cole Harbour Esso. Note attached to Rental Receipt confirming we paid for one day (Chester) and Dartmouth paid balance for Summerside Trip. ³⁴

³¹ As Glen is Yvonne's husband, I felt it prudent to examine several transaction where payments were made to him and other members of the Management Team.

³² Pipe Major and member of Management Team

³³ I could not remember the Band doing a performance in Middleton, NS; so, I queried Yvonne. She could not recall this either and the paper description was as noted above and did not tweak any recollection for either of us. As such, she checked her computer Journal which explained what occurred and refreshed both our memories. The hand noted reference was to Mt. Middleton, N.B. where we participated in a Dedication of a RCMP Memorial Carin on Tuesday June 05, 2007 and the balance was for the "Relay for Life" event in Chester, NS. This evidenced two key points: Yvonne did not try to "guess" or "makeup" details to satisfy my query; and, she had in fact maintained a very detail explanation on file. Both provide a high degree of comfort, being consistent with best practices.

³⁴ This transaction discussion also confirmed our practice of not issuing reimbursement cheques until the support receipts are submitted by member or 3rd party supplier/vendor. To ease the workload on Treasurer; and, for consistency and clarity, I recommend that a standard expense claim form be prepared based on a standard reimbursement policy to be promulgated and added to our S.O.P.'s. This will help remind members what is/is not covered and the mileage rate, etc. allowable. I attach as Schedule "C" an example used by the CBA, for discussion purposes and consideration by the Management Team.

6.	July 16	# 1067	Donald Margeson	"Drum Parts"	\$24.99 - Attached Invoice prepared by Donald confirms ³⁵ purchase by him of 50 Premier HTS 200 Bolts & Lock Nuts on July 09, 2007
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I next felt it prudent to look at several of our major receipts from performances or payment by members for items covered by the Band. I then wanted to follow through on reimbursement of moneys to members arising from a particular event for completeness sake.

In particular, I wanted to scrutinize monies paid to the Band to be reimbursed to Members for travel expenses they incurred on the Band's behalf, as set out below:

#	Date	Deposit Amount	Source	Notes
7.	August 20	\$5,109.00	Various	Total deposit from four sources as detailed below
8.	August 20	\$2,500.00	Charlottetown	Performance fee for Full Band - Gold Cup & Saucer Parade
9.	August 20	\$1,450.00	Ottawa*	"B" In the Park
10.	August 20	\$1,000.00	New Glasgow	Festival of the Tartan, Mass Band and RCMP Performance
11.	August 20	\$64.00	Blake Patterson	Band member reimbursement for extra accommodations for spouse who traveled with band ³⁶

³⁵ Yvonne advised that Donald misplaced the original receipt but was aware that the Bolts were purchased (as am I) and given the amount, she had no hesitation reimbursing based on his detailed Invoice. I agree that is a reasonable practice to ensure members are not "out of pocket"; but, suggest that the Treasurer's discretion be limited to \$50.00 for Member reimbursement where no original receipts are submitted (on strength of member certified invoice, as here). Further, that any amount over that be approved by Management Team where no original receipts are submitted. In all cases, where satisfied, the reimbursement should take place even in the absence of original receipts if clear and cogent evidence exists and there is no reason otherwise to doubt the veracity of the submission. This policy should be formalize and promulgated in the S.O.P.'s.

³⁶ As per established practice. I highly recommend that practice be maintained were (as here relating to the annual Charlottetown Trip) it may encourage and facilitate spouses and families to attend.

** Note: Payment was based on actual cost to members personally incurred to travel to/from and stay over in Ottawa for this approved performance. As such, I felt it prudent to trace forward all the reimbursement transactions related to this event as detailed below. In doing so we realized that one Member had not been reimbursed so Yvonne prepared a cheque and posted the transaction³⁷ while I was having copies made of several source documents for illustration purposes, as attached as Schedule "B" hereto.*

I next traced the reimbursement for Member personally incurred expenses (on the strength of which the Band was paid from the "B" In the Park organizers, to ensure they reconciled. This identified that P/S, Joe MacLean had not be reimbursed as detailed herein. Once this amount was identified and adjusted for, the total were within one dollar and acceptable in the circumstances. In several instances other amounts were also included with the Member reimbursement for "B" In the Park expenses (bolded for ease of calculation). The other reimbursement details are also included below for completeness.

"B" In the Park (Ottawa) - Total Receipts =	\$1,450.00
Reimbursement to Members as detailed below =	<u>\$1,449.00</u>
Differential (as confirmed below) =	\$0,001.00

This helps with "Goodwill" and is seen as a tangible thank you for the sacrifice made by families/significant others when members are away on Band duties detracting from family time. Also helps provide a relaxed and congenial social occasion in the best interest of the Band to help promote collegiality and to avoid "burn-out" from what can be a very taxing performance schedule

³⁷ Yvonne will check with Member Mary Gillis, CA on the appropriate way to adjust this if necessary. Yvonne advised that it is the Executive's desire that Mary will start keeping the Books with Yvonne acting as Treasurer to ensure best practices are maintain and as a check and balance for internal control purposes. It will also help lighten the significant work load that Yvonne has been carrying. This is a wise course and to be commended if Mary is willing to take on this extra duty.

#	Date	Cheque	Payee	Description	Amount & Notes
12.	Sept. 10	#1076 ³⁸	Wayne Moug	"Regina, Digby + Ottawa"	\$581.69 - Checked Computer and Code J162 and Receipts ✓ confirmed Regina Travel (\$250.00), Digby Truck Rental (\$55.69); and, Ottawa Trip (\$276.00)
13.	Sept. 10	#1079	Jack Graham	"Ottawa"	\$276.00 - Checked Receipts ✓ confirmed Ottawa Trip (\$276.00)
14.	Sept. 10	#1080	Glen Leduc	"Ottawa"	\$276.00 - Checked Receipts ✓ confirmed Ottawa Trip (\$276.00)
15.	Sept. 10	#1081	Yvonne Leduc	"Ottawa"	\$276.00 - Checked Receipts ✓ confirmed Ottawa Trip (\$276.00)
16.	Sept. 20	#1084	Kevin Marshall	"Band loan + Ottawa"	\$129.00 - Checked Receipts ✓ confirmed reimbursement of Member Loan to Band (\$60.00) and Ottawa Trip (\$69.00)
17.	January 19, 2008	#1126	Joe MacLean	"Ottawa"	\$276.00 - This review disclosed Joe had not been reimbursed (oversight). Cheque was issued and entered in Journal based on Receipts ✓ confirming amount (\$276.00)

TOTAL (Ottawa) **\$1,449.00**

Finally, I asked to check and then verified a large reimbursement transaction to Glen Leduc. In addition to examining all attached receipts ✓, I noted that Yvonne had a detailed summary sheet prepared and attached to support the payment and for ease of review if queried. Additionally, the cheque confirmed Yvonne's advice that our Policy is to have cheques issued to signing officers be verified and signed by two others and not by the payee. I attach her summary and copy of cancelled cheque as Schedule "B" for illustration purposes. Once more, it evidence in my mind, best practices being employed and provides significant comfort. The details are set-out below:

³⁸ The hand written description on receipt crossed-reference in error reimbursement cheque # 1075 but the actual cheque stub and computer Journal entry confirmed it was cheque # 1076 and the notation on the receipt was in error and amended accordingly.

<i>#</i>	<i>Date</i>	<i>Cheque</i>	<i>Payee</i>	<i>Description</i>	<i>Amount & Notes</i>
18.	Aug. 27	#1072	Glen Leduc	“Caps, shirts, drum parts, St.F.X., UPEI,+ Jacket ³⁹ ”	\$5169.93 - Checked Receipts ✓ confirmed reimbursement of expenses as detailed in Yvonne’s summary (Schedule “B”) and total and verified addition of amounts as correct (\$5169.93)

In light of all the foregoing, I was satisfied within a reasonable degree of certainty that our books and records are in good order and correct. We have strong controls, policies and procedures in place that provide a high degree of comfort. I thus concluded my review and then revised this report accordingly (approximately 4-5 hours).

SPECIAL RECOGNITION

I would be remiss if I did not note that my review confirmed significant activity by various Band Members donating numerous hours in the best interest of the Band, incurring significant personal expenses and potential liability. This is especially true of the Management Team who, in addition to regular and faithful attendance in their capacity as musicians, met regularly to plan and execute what was an amazing year financially; and, in fulfillment of our mission of “Benefitting Community through Music”.

They also took on a myriad of other crucial but thankless and often unseen roles such as drivers, rental agents, food preparers/servers, accommodation co-ordinators, social conveners; and, fostering esprit-de-corps (birthday cakes, Band parties and the like).

In particular, I want to single out PM, Wayne Moug; Band Manager/DM, Sgt. Jim Gillis; QM, Captain (retired) Glen Leduc, Schedule Co-ordinator, Major (retired) David Nimmo; D/S, Brad Watt; Drum Technician, D/C, Donald Margeson; Cruise Ship Co-ordinator, P/S, Joe MacLean; and, Dr. Jack Graham (driver & Summer Party host)⁴⁰.

³⁹ These are the “big tickets” items noted on the cheque and stub (not all items could be listed because of space considerations). Yvonne’s detailed summary and receipts shows the full breakdown of all items (Schedule “B”)

⁴⁰ One is always hesitant to enumerate a list in fear that someone equally deserving is omitted. I apologize if I have done so and ask the Management Team to duly recognize anyone else who also deserves special mention at the AGM.

I save a special mention for last. Yvonne Leduc as Treasurer⁴¹, has done an excellent job in maintaining our Books of Account and the level of detail evidenced by my review speaks of hundreds of hours of unseen work and diligent effort on our behalf. She is to be commended accordingly and congratulated on a “job well done” - Kudo’s Yvonne.

She and the other members of the Management Team deserves our heartfelt thanks, as do their spouses and families who have allowed them to participate so unsparingly and supported them in making this significant contribution and sacrifice.

Given the present good financial position of the Band; and, in keeping with the finest traditions of the Force in recognizing and rewarding excellence in service - I hereby give notice that I will be recommending at the AGM that the above noted and their spouses be treated to a nice meal or other suitable social event (such as free accommodations for them and/or their family to join them on one of our road trips) as the executive may determine equivalent to up to \$75 per deserving member.⁴²

I also recommend that a standing policy to this effect be create and budgeted for in future years. It is easier and less expensive to keep good workers than to recruit and train new ones. As such, their efforts should be recognized and rewarded (finances permitting).

I hereby give Notice that I will move at the AGM that an award with suitable Plaque⁴³ and Certificate of Commendation be established to be awarded annually at the AGM to a Band Member(s) who has made an exceptional contribution to the Band to be known as the “Distinguished Service Award”⁴⁴. I recommend that the inaugural award be presented to PM, Wayne Moug; Tres., Yvonne Leduc; QM, Capt. Glen Leduc; D/M, Sgt. Jim Gillis; Maj. David Nimmo; and, P/S, Joe MacLean.

Finally, that the By-Laws be amended at the AGM to create a Nominating Committee

⁴¹ Also did may other jobs including purchasing supplies, making and serving sandwiches, arranging accommodations, social convener (Member Birthday Cakes, Band X-mas party), etc, etc, etc.

⁴² \$75 being a balance between fiscal conservatism and tangible recognition. It also is symbolic of the 75 years of RCMP service to Nova Scotia in 2007.

⁴³ To be hung in the Mess (HQ) with the other Band Award and Honours.

⁴⁴ Based on service during their tenure with the Band, including service hours, positive impact in fulfilling our mission; and, by maintaining the highest standards of conduct, dress and deportment as a shining example to others.

composed of senior⁴⁵ Band Members including the P/M, D/M, P/S, D/S, one additional member of the Management Team (as they may elect); and, a Member-at-large duly elected annually at the AGM.

The Nominating Committee should be mandated⁴⁶ to select the slate of officers, directors and functionaries⁴⁷ for election at following AGM. Additionally, that they be mandated to select recipients of “future” Distinguished Service Awards and such other awards as may be from time to time created by the Band.⁴⁸

SUMMARY & CONCLUSION

For all the reasons noted above, I have concluded and certify that the Band has been well run and its books are in order. It had strong financial performance during the Reporting Period which is properly accounted for and proper records maintained. It has developed and maintains good financial controls and business practices. For good and valid reasons, several operational and governance changes are desirable and presently being reviewed or implemented by the Management Team as fully set out herein.

I attach as Schedule “A”, an action list of recommendations and implementation timing logic. I attach as Schedule “B” examples evidencing record keeping quality and extent; and, confirmation of signing officers not signing cheques where they are the payee. I attach as Schedule “C” a sample Reimbursement Policy and Expense Claim Form for discussion purposes.

I recommend that the Membership establish a formal system to recognize and reward exceptional and diligent service to the Band and create a Nominating Committee to determine such recipients and put forward a slate of officers, directors and functionaries.

I would be pleased to answer any questions or concerns that any Member may have arising from or relating to the within review or recommendations, or otherwise.

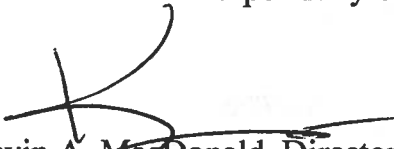
⁴⁵ Minimum of 2 years active and faithful service to the Band (attendance at 75+% of practices and performances).

⁴⁶ Requires By-Law amendment.

⁴⁷ As prescribed by the By-Law and any amendments thereto.

⁴⁸ Such as may be typical of other Bands or organizations (e.g., “Musician of the Year”, “Most Improved”, “Esprit-de-corp Award”, etc.).

All of Which Is Respectfully Submitted



Kevin A. MacDonald, Director

CC: Revenue Canada File
KMD/kmd

SCHEDULE "A"
Summary of Recommendations

<i>No.</i>	<i>RECOMMENDATION</i>	<i>NOTES</i>
1.	Apply to be HST Registrant	Should be done by January 31 st , 2008. <i>NB: - this has now been done since initial draft report</i>
2.	Add HST# to all quotes, invoices, etc.	Presently being implemented by Management Team
3.	Amend By-Law to reflect calendar fiscal year	Needs to be done at an AGM or special meeting of members with 3/4 voting in favour
4.	Amend By-Law to reflect a change of name if deemed desirable	Would require 3/4 in favour and approval by Reg. of Joint Stock
5.	Advise Bank of their error so records can be updated	This has been done since the initial draft of this report
6.	Review desirability of further By-Law Amendments re governance model	Should be done with full membership in Feb.'08 in advance of AGM (notice required)
7.	Need to select date for AGM with Notice and By-Law requirements	Should have date selected by Feb. 15th, 2008
8.	Notice of Omnibus Amendments	Needs to conform to current By-Law Notice requirements
9.	Prepare current Schedule of Assets and Inventory	To be presented at AGM in anticipation of ratification vote (#10 below)
10.	Motion of Ratification at AGM	Member should receive a full report of all activities from Spring 2004 - December 31 st , 2007 and then discuss and vote to ratify, indemnify and hold harmless the Management Team
11.	Motion at AGM to create indemnify and hold harmless policy consistent with other Societies and the <i>Volunteer Protection Act (NS)</i>	May also want to consider D&O Insurance coverage. Both of these risk management policies should be discussed at the Blue Sky session to ensure members concur

12.	Hold "Blue Sky" session in February with full membership	Use as spring board to report activity to date, discuss and determine operational and governance revisions and set strategic direction for next 1-3 years
13.	Create standing Strategic Planning Committee or assign portfolio to an officer/director	The options should be discussed by the Management Team and reported on at Blue Sky session
14.	Create S.O.P.'s for existing financial policies such as our practice of not issuing reimbursement cheques until the supporting receipts are submitted by Member or 3 rd party supplier.	The options should be discussed by the Management Team and reported on at Blue Sky session, then approved at the AGM
15.	Create standard expense claim form based on a standard reimbursement policy to be promulgated and added to our SOP's.	The options should be discussed by the Management Team and reported on at Blue Sky session, then approved at the AGM
16.	Create S.O.P confirming that Treasurer's discretion be limited to \$50.00 for Member reimbursement where no original receipts are submitted but an Expense Claim Form is certified and submitted by Member.	The options should be discussed by the Management Team and reported on at Blue Sky session, then approved at the AGM
17.	Create S.O.P. that any amount over \$50.00 be approved by Management Team where no original receipts are submitted but an Expense Claim Form.	The options should be discussed by the Management Team and reported on at Blue Sky session, then approved at the AGM
18.	Create S.O.P that in all cases, the reimbursement should take place even in the absence of original receipts if clear and cogent evidence exists and if there is no reason otherwise to doubt the veracity of the submission.	The options should be discussed by the Management Team and reported on at Blue Sky session, then approved at the AGM

19.	Create S.O.P to confirm policy that all cheques issued to signing officers be verified and signed by two others and not by the payee, unless exigent circumstances require otherwise , in which case, the exception transaction must be reported to and ratified by the Management Team as soon as practicable.	The options should be discussed by the Management Team and reported on at Blue Sky session, then approved at the AGM
20.	Give notice that I will move at the AGM that the Management Team and their spouses be treated to a nice meal or other suitable social event as the executive may determine equivalent to up to \$75 per deserving member	Subject to discussion at the Blue Sky Session and approval at the AGM
21.	Create S.O.P that the Management Team and spouses be provided annually a suitable treat/reward for their significant efforts and same be budgeted for in future years (subject to finances)	Subject to discussion at the Blue Sky Session and approval at the AGM
22.	Give Notice that I will move at the AGM that an award with suitable Plaque and Certificate of Commendation be established to be awarded annually at the AGM to a Band Member(s) who has made an exceptional contribution to the Band to be known as the "Distinguished Service Award	Subject to discussion at the Blue Sky Session and approval at the AGM

23.	I recommend that the inaugural Distinguished Service Award be presented to PM Wayne Moug, Yvonne Leduc, Capt. Glen Leduc, Sgt. Jim Gillis, Maj. David Nimmo and P/S Joe MacLean	Subject to discussion at the Blue Sky Session and approval at the AGM
24.	I recommend that the By-Laws be amended at the AGM to create a Nominating Committee composed of senior Band Members including the P/M, D/M, P/S, D/S, one additional member of the Management Team (as they may elect); and, a Member-at-large duly elected annually at the AGM	Subject to discussion at the Blue Sky Session and approval at the AGM
25.	I recommend that the By-Laws be amended at the AGM to mandate the Nominating Committee to select the slate of officers, directors and functionaries for election at the next AGM	Subject to discussion at the Blue Sky Session and approval at the AGM
26.	I recommend that the By-Laws be amended at the AGM to mandate the Nominating Committee to select recipients of future Distinguished Service Award and such other awards as may be from time to time created by the Band	Subject to discussion at the Blue Sky Session and approval at the AGM

