

**AFOA 10th Anniversary Conference  
Ottawa - March 3 & 4, 2010**

**INAC Information Session:  
Consistent Consolidated Audited  
Financial Statements**

**Anne Scotton  
Chief Audit & Evaluation Executive  
Indian & Northern Affairs Canada**

**Basil Orsini  
Director, Centre of Expertise  
Audit Services Canada**

# Agenda

- **Why Change Makes Sense**
- **Objectives, Concept and Approach**
- **Templates**
  - **Four Financial Statements: basics**
- **Next Steps**

# Why Change Makes Sense

- **There are reporting requirements from the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) that allow for greater certainty of program expenditures and accountability on the use of funds.**
- **Address flaws in the current process of data collection:**
  - **First Nations carry a significant reporting and cost burden and submit the same data in multiple reports;**
  - **The INAC review process can take months;**
  - **General purpose financial statements prepared according to GAAP are manipulated to meet INAC requirements.**

# Objectives

- **This is a consultation process held to address the implementation of First Nation communities / organizations reporting under Public Sector Accounting Standards using the Common Government Reporting Model.**
- **The process will include discussions on draft templates for consolidated financial statements, current issues, lessons learned, and practical opportunities/ideas for First Nation communities to implement the Canadian Institute of Chartered Accountants (CICA) changes.**

## **... Concept**

- **Follow Canadian Institute of Chartered Accountants Public Sector Accounting Board standards and guidelines:**
  - **Generally Accepted Accounting Principles (GAAP) for government; and**
  - **Common Government Reporting Model refers to use by all levels of government – ACCRUAL accounting.**
- **INAC wants First Nations to submit audited financial reports that meet Generally Accepted Accounting Principles (GAAP) requirements.**

# Concept

- **Assist First Nations organizations to provide consistent, comparable financial information.**
- **Meet INAC needs in regard to reporting at a departmental level.**
- **Support Chiefs and Councillors to provide consistent accountability information to members.**

# Approach

- To distribute to ALL First Nation communities, Tribal Councils, accounting firms and INAC contacts, the marketing materials to encourage as many First Nation communities to attend the seven regional information sessions.
- This distribution maximizes awareness of the project to all First Nation stakeholders.
- Four one-hour information sessions at the AFOA Conference in Ottawa on March 3 and 4, 2010.

## **... Approach**

- **Seven (7) regional one-day information sessions, according to AFOA availability on short notice:**
  1. **Vancouver (Yukon invited) – March 15;**
  2. **Winnipeg – March 17;**
  3. **Montreal (Atlantic, Quebec and eastern Ontario) – March 19**
  4. **Sudbury – March 22;**
  5. **Saskatoon – March 24;**
  6. **Thunder Bay – March 26; and**
  7. **Edmonton (NWT invited) – March 29.**

**At the end of each information session, AFOA will obtain feedback from stakeholders.**

- **Additional measures are being taken to address information needs of Aboriginal organizations not affiliated with AFOA.**

## **... Approach**

- **Regional Cooperation and Workshops**
  - Rollout of the project will ensure that INAC regions work with the template and that it is consistent with requirements to review and monitor financial reporting in the context of funding agreements.
  - Template will be “workshopped” to smaller regional and local accounting firms and auditors
    - Priority places for Aboriginal participants
  - INAC regions will work with Provincial AFOA affiliates to run workshops through 2010-2011 – in addition to the seven in March, 2010.

## **... Approach**

- **Consultation with national accounting firms with significant presence in Aboriginal auditing:**
  - **Audit Services Canada will coordinate review of the template on behalf of INAC**

# **... Approach**

- **INAC Chief Audit & Evaluation Executive chairs Aboriginal Auditing & Accountability Committee.**
- **Proceed to Implement Consistent Consolidated Audited Financial Statement project government-wide in consultation with other Federal organizations, such as:**
  - **Health Canada**
  - **HRSDC / Service Canada**
  - **Public Safety**
  - **Fisheries & Oceans**
  - **Heritage**
  - **RCMP**
  - **CMHC**
  - **Industry**
  - **Infrastructure Canada**

# Template

- A template or “model” Audited Financial Statement is being adapted from existing models – based on AFOA Training to-date.
  - [http://www.afoa.ca/acfme/resources\\_financial\\_afoa.asp](http://www.afoa.ca/acfme/resources_financial_afoa.asp)
- Annotations to the template will provide guidance.
- INAC Year-End Reporting Handbook specifies its reporting requirements that are additional to the Common Government Reporting Model.
- Templates provide for consistency in the consolidation of financial statements
- Consolidation is about combining the financial accounts of units within a reporting entity.

# Templates - Four Financial Statements

## PS 1200 Financial Statement Presentation \*

- Statement of Financial Position
- Statement of Operations
- Statement of Change in Net Debt
- Statement of Cash Flows

\* *The information provided in these four templates is taken from AFOA workshop materials from 2008 involving the fictitious Lone Pine First Nation. Significant accounting policies and notes will be covered in the one-day information sessions.*

# Template - Audited Financial Statements

- Schedules, in addition to GAAP reporting, are to include clear, consistent information on salaries and all forms of remuneration.
- See INAC Year-end Financial Reporting Handbook, Schedule D:  
<http://www.ainc-inac.gc.ca/ai/arp/trp/pubs/yrh01/yrh01-eng.asp>  
<http://www.ainc-inac.gc.ca/ai/arp/trp/pubs/yrh01/yrh01-fra.asp>
- Five Specific Indicators are required as part of the Four Financial Statements for GAAP reporting:
  1. Net debt
  2. Accumulated surplus/deficit
  3. Annual surplus/deficit
  4. Change in net debt
  5. Cash flow

# **Draft Template: A. Consolidated Statement of Financial Position – Basics (Comparing Current & Previous Fiscal Years)**

- **FINANCIAL ASSETS Cash**
  - **Accounts Receivable**
  - **Investments**
  - **Trust funds held by Federal Government**
  - **Investment in business enterprises**

**Total Financial Assets**

# **... Draft Template: A. Consolidated Statement of Financial Position - Basics**

- **LIABILITIES**
  - **Accounts payable**
  - **Deferred revenue**
  - **Long-term debt**

**Total Liabilities**

**Net Debt = FINANCIAL ASSETS - LIABILITIES**

# **... Draft Template: A. Consolidated Statement of Financial Position - Basics**

- **NON-FINANCIAL ASSETS**
  - Capital assets
  - Inventory
  - Prepaid expenses

**Total Non-financial Assets**

**ACCUMULATED SURPLUS = NET DEBT – NON-  
FINANCIAL ASSETS**

**Contingencies**

# **Draft Template: B. Consolidated Statement of Operations – Basics**

## **(Comparing Current & Previous Fiscal Years)**

- **REVENUE**
  - **Federal Government:**
    - **Indian & Northern Affairs Canada**
    - **Et cetera**
  - **Provincial Government**
  - **Interest, rent and sundry**
  - **Ottawa Trust Fund**
  - **Commercial Activities**
  - **Business Enterprises**

# **... Draft Template: B. Consolidated Statement of Operations - Basics**

- **EXPENSES**
  - Education
  - Health
  - Economic Development
  - Housing
  - Community Services
  - Social Services
  - Band Government
  - Employment Programs
  - Administration fees and technical services
  - Land Claim

## **... Draft Template: B. Consolidated Statement of Operations - Basics**

- **ANNUAL SURPLUS = REVENUE – EXPENSES**
- **ACCUMULATED SURPLUS AT BEGINNING OF YEAR**
- **ACCUMULATED SURPLUS AT END OF YEAR**

# ... Draft Template: C. Consolidated Statement of Change in Net Debt – Basics

	2008 Budget	2008 Actual	2007 Actual
<b>Annual Surplus</b>			
<b>Tangible Capital Assets</b>			
<b>Amortization</b>			
<b>Net Prepaid Asset</b>			
<b>Net Inventory</b>			
<b>Change in Net Debt</b>			
<b>Opening Balance</b>			
<b>Closing Balance</b>			

# **Draft Template: D. Consolidated Statement of Cash Flows – Basics**

## **(Comparing Current & Previous Fiscal Years)**

- **Cash provided by (used for)**
- **Operating**
  - **Excess of revenue over expenditure**
  - **Items not affecting cash**
    - **(Gain) Loss on disposal of fixed assets**
  - **Changes in non-cash working capital items**
    - **(Increase) decrease in:**
      - **Accounts Receivable**
      - **Inventory**
      - **Prepaid Expenses**
      - **Accounts Payable**
      - **Deferred Revenue**

# **... Draft Template: D. Consolidated Statement of Cash Flows - Basics**

- **Capital**
  - **Purchase of fixed assets**
- **Investing**
  - **Business enterprises**
  - **Redemption of investments**
  - **Purchase of investments**
  - **Proceeds of investments**
- **Financing**
  - **Payment on long-term debt**

# **Draft Template: D. Consolidated Statement of Cash Flows - Basics**

- **Increase (decrease) in cash for the year**
- **Cash, beginning of year**
- **Cash, end of year**

# Next Steps

- **Participation in one of the seven one-day regional sessions, if possible.**
  - **More in-depth presentation and discussion, e.g., accounting principles**
- **Additional measures are being taken to address information needs of Aboriginal organizations not affiliated with AFOA.**
- **AFOA to provide a summary report on the consultation sessions to all stakeholders by May 31, 2010.**
- **Regional cooperation and INAC workshops jointly with AFOA in 2010-2011.**