Indigenous and Northern Affairs Canada | Affaires autochtones et du Nord Canada

Financial Reporting Requirements (FRR) Presentation to First Nation and Other Recipients, and their Auditors 2015-2016 Fiscal Year

Canada

2015-2016 Financial Reporting Requirements (FRR)

- Indigenous and Northern Affairs Canada (INAC) and Health Canada (HC)-FNIH have combined their financial year-end reporting requirements into the INAC **Reporting Guide**'s Financial Reporting Requirements (FRR), previously called Year-end Reporting Handbook (YERH). http://www.aadnc-aandc.gc.ca/eng/1418410624330/1418410790052

INAC recipients must prepare their financial reporting using the 2015-2016 FRR and submit their Audited Consolidated Financial Statements (ACFS) in the Consistent Consolidated Financial Statement format which is available on INAC's Internet Site.

http://www.aadnc-aandc.gc.ca/eng/1386700365578/1386700453627

Accounting Standards

- **First Nations:**
  - First Nation Bands must adhere to Public Sector Accounting Handbook (PSA Handbook)

- **Tribal Councils & First Nations Political Organizations**
  - With the help of the auditor, they will determine which CPA Canada Standards recommendations are relevant to the organization.

Accounting Standards (cont'd)

- **Recipients Other Than First Nations, Tribal Councils and First Nations Political Organizations**
  - With the help of the auditor, they will determine which CPA Canada Standards recommendations are relevant to the organization.

Financial Reporting Requirements (FRR)

Financial Reporting type is determined by Recipient Type, Funding Amount, and Recipient Risk Level:

1. **F-0080** Annual Audited Consolidated Financial Statements package (Common Government Model)

   F-0081 Annual Unaudited Schedule of Revenue and Expenses package (**Not applicable** to First Nations)

2. **F-0190** Annual Audited Consolidated Financial Statements package (General Reporting Model)

   F-0191 Annual Audited Schedule of Revenue and Expenses package

   F-0192 Annual Unaudited Schedule of Revenue and Expenses

CHART 1 - FINANCIAL REPORTING REQUIREMENTS

RISK AS PER GENERAL ASSESSMENT TOOL (GA).	TYPE OF RECIPIENT OR FUNDING		NOTE	TYPES OF FINANCIAL REPORTS PACKAGE: No additional report	F-0080 Annual Audited Financial Statements Package - using the Common Government Reporting Model	F-0081 Annual Unaudited Schedule of Revenue and Expenditure Package, using the Common Government	F-0190 Annual Audited Financial Statements Package, using the General Reporting Model	F-0191 Annual Audited Schedule of Revenue and Expenditure Package, using the General Reporting Model	F-0192 Annual Unaudited Schedule of Revenue and Expenditure, using the General Reporting Model
LOW	Recipient	First Nations			X				
		Tribal Council			X (=>$150K)	X (<$150K)			
		FN Political Org.			X (=>$150K)	X (<$150K)			
		Prov./Territorial Org.*			TBD	TBD	TBD	TBD	TBD
	Other recipient, type of funding	Essential Services					X		
		Project Based						X (=>$150K)	X (<$150K)
		On-Going Relationship					X (=>$150K)		X (<$150K)
		Invoice Based		X					
		Other - Legislated	2						X
		Grant		X					
MEDIUM	Recipient	First Nations			X				
		Tribal Council			X (=> $100K)	X (<$100K)			
		FN Political Org.			X (=> $100K)	X (<$100K)			
		Prov./Territorial Org.*			TBD	TBD	TBD	TBD	TBD
	Other recipient, type of funding	Essential Services					X		
		Project Based						X (=> $100K)	X (<$100K)
		On-Going Relationship					X (=> $100K)		X (<$100K)
		Invoice Based		X					
		Other - Legislated	2						X
		Grant		X					
HIGH	Recipient	First Nations			X				
		Tribal Council			X (=> $75K)	X (<$75K)			
		FN Political Org.			X (=> $75K)	X (<$75K)			
		Prov./Territorial Org.*			TBD	TBD	TBD	TBD	TBD
	Other recipient, type of funding	Essential Services					X		
		Project Based						X (=> $75K)	X (<$75K)
		On-Going Relationship					X (=> $75K)		X (<$75K)
		Invoice Based		X					
		Other - Legislated	2						X
		Grant		X					

F-0080: Annual Audited Consolidated Financial Statements Package, using the Common Government Reporting Model;
F-0081: Annual Unaudited Schedule of Revenue and Expenditure Package, using the Common Government Reporting Model;
F-0190: Annual Audited Consolidated Financial Statements Package, using the General Reporting Model;
F-0191: Annual Audited Schedule of Revenue and Expenditure Package, using the General Reporting Model;
F-0192: Annual Unaudited Schedule of Revenue and Expenditure, using the General Reporting Model.

First Nations Financial Transparency Act (FNFTA)

- FNFTA is found at *http://laws-lois.justice.gc.ca/eng/acts/F-11.66/page-1.html)*
- Two requirements of FNFTA
  - Each First Nation **must** publish or cause to be published on an Internet site, both its Audited Consolidated Financial Statements (ACFS) and a Schedule of Remuneration and Expenses of Chief and each of its Councilors for the 2015-2016 fiscal year, within **120 days** after the end of the financial year (29th of July)
  - INAC is required to do the same upon receipt of the ACFS and Schedules from FN.

F-0080 - Annual Audited Consolidated Financial Statements (cont'd)

- **ALL** First Nations are required to send their financial reporting in **2 distinct packages** which must arrive at INAC together.

  1st package

  contains documents **to be published on the Internet.** **(**pursuant to **FNFTA** requirements**)**

  2nd package

  contains documents **NOT to be published on the Internet.**

F-0080 - Annual Audited Consolidated Financial Statements (cont'd)

Documents to be published on the Internet:

1. **<u>Annual Audited Consolidated Financial Statements</u> (ACFS) which includes the following:**

- Management Responsibility Letter
- Independent Auditor's Report, signed by auditor
- Consolidated Statement of Financial Position, signed by Chief and Council
- Consolidated Statement of Operations (**<u>budget figures</u>**, revenues by source, INAC revenue must reconcile)

F-0080 - Annual Audited Consolidated Financial Statements (cont'd)

- Consolidated Statement of Changes in Net Debt (or Assets)
- Consolidated Statement of Cash Flow; and
- Notes to Financial Statements

Comparative figures for previous year must be presented and a **budget column** for all revenues and expenditures.

2. **<u>Schedule of Remuneration and Expenses</u> (Chiefs and Councilors) – Annex B** – An auditor's report or a review engagement report is required.

F-0080 - Annual Audited Consolidated Financial Statements (cont'd)

- **Documents <u>NOT To Be Published</u> on the Internet**

1. **Program/Service/Activity/[Project] Revenue and Expenses Schedules** (Annex A)
   - With signed approval by Chief and Council and/or senior management OR
   - An accountant's Notice to Reader.
   - Formats are set out in Financial Reporting Requirements (FRR).

F-0080 - Annual Audited Consolidated Financial Statements (cont'd)

2. **Reconciliation of Revenue**
3. **Schedule of Remuneration and Expenses**
   – (Unelected Senior Officials) (Annex C) – An auditor's report or a review engagement report is required.
4. **Statement of Moveable Assets Reserve (Annex D)**
   – An auditor's report or a review engagement report is required, where applicable (Required by Health Canada).

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RECONCILIATION OF ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA (AANDC) REVENUE AS PER FUNDING CONFIRMATION (GCIMS) WITH REVENUE FROM STATEMENT OF OPERATIONS 20xx/20xx FISCAL YEAR

Recipient Name	Recipient #

AANDC Revenue per Audited Consolidated Statement of Operations	
Explanations:	**Adjustments:**
	Add / (Subtract) $
less: Prior Year Deferred Revenue	
add: Current Year Deferred Revenue	
Net Adjustments	$0
Net Budget per AANDC Funding Confirmation (1)	$0

(1) Includes Current year end payable from AANDC
Excludes BCTC Treaty Loans
Excludes Recoveries for the prior year
Includes Reimbursements for the prior year

F-0080 Schedule of Programs/Services/Activities/Projects Revenues and Expenditures (ANNEX A)

- Each INAC Revenue by **program code** must be reported **separately**.
- Disclose **revenues/funding** received **by all sources** for each INAC-funded activity/program**.**
- Recommended that Own Source Revenue (OSR) to be shown below the line.
- Expenditures are **detailed by line object** on **accrual basis**. Special attention to be given to Services such as Social Development and Education.

F-0080 Schedule (ANNEX A) – cont'd

- INAC will prorate its portion/percentage of the total revenue applied to total expenditures to determine surpluses and deficits.
- Each capital project (including housing) must be reported separately. Each CPMS project is to reported on separate schedule.
- **SET, FLEX, FIXED,** and **BLOCK** funding and matching expenditures must be presented separately.

F-0080 Schedule (ANNEX A) – cont'd

- Disclose Budget figures and Prior-year Unexpended Funds where applicable (Fixed, Flex, and Block Funding)
- Annex A must be approved by an authorized representative of the Recipient, indicated by a signature on the submitted package;Or a Notice To Reader by the Auditor

F-0080 Schedules of Remuneration and Expenses

- Two separate Schedules of Remuneration and Expenses
  - For Chief and Council (Annex B) will be published online pursuant to Section 6(1) of the FNFTA .
  - For Unelected Senior Officials (Annex C) will **NOT** be published online
- <u>Auditor's report or review engagement report required for both Annexes.</u>

  Format must match Financial Reporting Requirement Annexes B & C

Annex B: Schedule of Remuneration and Expenses – (Chiefs and Councillors)

For the year ended March 31, 201X

Name of Individual	Position Title	Number of Months [Note 1]	Remuneration [Note 2]	Expenses [Note 3]

Notes:

1. *The number of months during the fiscal year that the individual was a chief or councillor.*
2. *As per the First Nations Financial Transparency Act:*

   "remuneration" means any salaries, wages, commissions, bonuses, fees, honoraria and dividends and any other monetary benefits — other than the reimbursement of expenses — and non-monetary benefits.

   Examples are provided in the supporting document which accompanies this document on AANDC's Internet site entitled: "Supplementary Information".
3. *As per the First Nations Financial Transparency Act:*

   "expenses" includes the costs of transportation, accommodation, meals, hospitality and incidental expenses.

Annex C: Schedule of Remuneration and Expenses – (Unelected Senior Officials)

For the year ended March 31, 201X

Name of Individual (optional)	Position Title	Number of Months [Note 1]	Actual Salary or Approved Salary Range From / To		Other Remuneration [Note 2]	Expenses Reimbursed as part of Other Remuneration [Note 2]

Notes:

1. *The number of months during the fiscal year that the individual was on staff.*
2. *"Remuneration" means any salaries, wages, commissions, bonuses, fees, honoraria, dividends and reimbursement of expenses — including the costs of transportation, accommodation, meals, hospitality and incidental expenses — and any other monetary benefits and non-monetary benefits.*

F-0080 – Auditor's Management Letter

Auditor's Letter to Management (Internal Control Letter)

- CPA Canada recommends that auditors communicate any identified weaknesses in internal control measures (Ref. 5220.07 – CPA Canada Handbook)
- Optional but strongly recommended that INAC receives Management Letter in all cases.
- Requirement of Auditor's Management Letter is mandatory if Recipient is in default of their funding agreement

F-0190 – Annual Audited Financial Statements

Recipients Other than First Nations, Tribal Councils and First Nation Political Organizations (includes Non-For-Profit) using the General Reporting Model

1. Annual Audited Consolidated Financial Statements

   Same requirements as F-0080 **less** Annex B & C (Schedules of Remuneration and Expenses)

2. Program/Service/Activity[/Project] Revenues and Expenses Schedules (Annex A)

   Same requirements as F-0080

Child & Family Services (CFS)

- INAC BC Region worked on sample Schedules for CFS Program Maintenance and Program Operations.
- Pro-rating is required if Children's Special Allowance (CSA) is used for Child's maintenance
- Pro-rating is not required if CSA is used for Child's Development.
- All CSA funding must be reported on the Statement of Operations as revenue and preferably identified as Child's Special Allowance (CSA).

Example of Child's Special Allowance (CSA) Schedule

SCHEDULE OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 2014
Child's Special Allowance

	2014 Budget	2014	2013
REVENUE			
Child's Special Allowance	55,000	50,000	60,000
Total Revenue	**$ 55,000**	**$ 50,000**	**$ 60,000**
EXPENDITURE			
Exceptional Maintenance Costs	10,000	5,000	10,000
Maintenance Costs - Special Needs	15,000	15,000	20,000
Maintenance Costs - Extracurricular Activities	10,000	10,000	10,000
Education	15,000	15,000	5,000
Training	5,000	5,000	15,000
Total Expenditure	**$ 55,000**	**$ 50,000**	**$ 60,000**
REVENUE OVER (UNDER) EXPEDITURE			
SURPLUS (DFICIT) BEGINNING OF YEAR			
SURPLUS (DFICIT) END OF YEAR	**$ -**	**$ -**	**$ -**

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Example of Maintenance Schedule

SCHEDULE OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 2014
FOSTER CARE

	BUDGET	Foster Homes (2371)	Group Homes (2372)	Kinship Care (2379)	CSA	2014	2013
REVENUE							
AANDC	$ 650,000	$ 640,895	$ 24,609	$ 9,962		$ 675,466	$ 657,838
CSA Revenue	25,000	0	0	0	25,000	$ 25,000	24,000
Total Revenue	**$ 675,000**	**$ 640,895**	**$ 24,609**	**$ 9,962**	**$ 25,000**	**$ 700,466**	**$ 702,693**
EXPENDITURE							
Activity Fees and Events	20,000	13,145	175	1,208	15,000	29,528	6,611
Child Care	550,000	498,037	0	51,581	0	549,618	579,931
Consultant	2,000	640	0		0	640	12,957
Contracts	15,000	9,955	0	753	0	10,708	19,064
Contracts - Group Home	32,000	0	31,532	0	0	31,532	63,128
Fire Protection	1,500	1,206	0	0	0	1,206	1,386
Gifts	6,000	5,394	0	0	0	5,394	6,925
Honoraria and Meetings	3,500	3,868	0	38	0	3,906	2,863
Legal	0	85	0	10	0	95	250
Liscences and Fees	0	54	0	0	0	54	77
Special Education	10,000	0	0	0	10,000	10,000	296
Supplies	30,000	20,511	332	1,764	0	22,607	39,991
Training - Foster Parents	0	307	0	0	0	307	1,029
Travel - Clients	5,000	8,801	29	100	0	8,930	10,797
Total Expenditure	**$ 675,000**	**$ 562,003**	**$ 32,068**	**$ 55,454**	**$ 25,000**	**$ 674,525**	**$ 745,305**
REVENUE OVER (UNDER) EXPEDITURE	**$ -**	**$ 78,892**	**$ (7,459)**	**$ (45,492)**	**$ -**	**$ 25,941**	**$ (42,612)**
SURPLUS (DFICIT) BEGINNING OF YEAR		$ 97,821	$ 26,533	$ (73,563)		$ 50,791	$ 93,403
SURPLUS (DFICIT) END OF YEAR	**$ -**	**$ 176,713**	**$ 19,074**	**$ (119,055)**	**$ -**	**$ 76,732**	**$ 50,791**

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Example of Operating Fund Schedule

Schedule 1 - Schedule of Operations - Federal Funding

(Unaudited)

For the year ended March 31, 2014

	2014 Budget	*2014*	*2013*
Revenue			
Aboriginal Affairs & Northern Development Canada			
Operations	968,993	968,993	973,772
Transitional funding	85,000	85,423	85,422
Capacity development	-	15,000	-
Internal administration charge	-	55,652	78,773
Interest and other income	2,400	5,842	62,382
	1,056,393	1,130,910	1,200,349
Expenses			
Amortization	-	31,912	39,591
Advertising and promotion	6,318	4,522	9,882
After Hours Project *(Schedule 2)*	36,450	37,327	40,406
Bank charges and interest	7,776	13,653	16,543
Consulting	19,440	9,966	112,001
Guardianship			
Travel, training and incidentals	762	1,805	905
Wages and benefits	98,191	93,130	100,903
Governance *(Schedule 2)*	49,005	57,804	89,299
Incidentals	-	3,261	5,806
[illegible]	20,937	17,444	17,985
[illegible] Resource Project *(Schedule 2)*	137,700	114,144	123,271
Office	45,877	75,779	88,101
Professional Fees	30,780	23,803	30,279
Rent	92,016	121,500	121,500
Repairs and maintenance	34,182	7,685	23,247
Support programs	27,225	13,941	26,476
Telephone and utilities	33,357	29,672	38,848
Training and workshops	2,025	12,769	4,358
Travel and vehicle	26,730	35,307	50,390
Wages and benefits	575,081	474,617	535,933
	1,243,852	1,180,041	1,475,724
Deficiency of revenues over expenses	(187,459)	(49,131)	(275,375)

Funding Types

- Two funding types are provided in INAC Funding Agreements:

1- Grant

2- Contribution:

- **Set** Contribution Funding
- **Fixed** Contribution Funding
- **Flexible** (Flex) Contribution Funding
- **Block** Contribution Funding

Funding Types - GRANTS

- **GRANT** – same as previous years, recipient may retain surplus if they qualify and maintain their qualification for the grant.

Funding Types - Contributions

Common Factors for All Contribution Funding:

a) All contribution funding are subject to **recovery** of ineligible expenditures and/or unexpended funds under different terms and conditions.

b) Provisions to retain unexpended funding may be available for certain types of contribution funding (Fixed, Flex, Block) under very specific conditions for each type of contribution funding.

c) All deficits are the responsibility of the Recipient (exception certain Social programs)

Funding Types - SET Contribution Funding

- **SET** funding is an annual targeted contribution funding
- All Unexpended SET funding and all ineligible expenditures will be recovered.
- No Unexpended SET funding can be retained or deferred by Recipients to following year(s) and should be classified as a Payable.
- INAC FSOs (BC Region) use the expenditures as reported in Annex A schedules to determine **AUDIT recoveries and reimbursements.**
- INAC Program Officers may later adjust recoveries and reimbursements under a separate cover.
- All program/service/activity deficits funded by SET contributions are the non-reimbursable except:

Funding Types - SET Contribution Funding (cont'd)

- **Reimburseable SET deficits in Social Assistance can be:**
  - Basic Needs
  - Child Out of Parental Home Allowance
  - Maintenance – Institutions
  - Maintenance – Foster Homes
  - Maintenance – Group Homes
  - Maintenance – Kinship Care
  - Maintenance – Post Adoption Subsidies
  - Institutional Care – Type II
  - Adult Foster Care

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Set Funding

	AANDC Revenue	Audit Expenditures	AANDC Adjustment	Surplus / Deficit Current FY	Surplus / Deficit Pr FY	Surplus / Deficit Cumulative	Audit Page Reference	Unexpended Funds
2015/03/31 (2014-2015)	1991875	1852959	0	138916	0	138916		155655
Education	969806	902022	0	67784	0	67784		67784
No project information available	969806	902022	0	67784	0	67784		0
02125 - TUITION AGREEMENTS	948912	883200		65712		65712	KW Sch6	65712
02127 - PRIVATE SCHOOLS	20894	18822		2072		2072	KW Sch6	2072
Social Development	946651	860170	0	86481	0	86481		87871
No project information available	946651	860170	0	86481	0	86481		0
02305 - BASIC NEEDS	543366	479876		63490		63490	Sch 4	63490
02307 - CHILD OUT OF PARENTAL HOME ALLOWANCE	73600	55104		18496		18496	Sch 4	18496
02320 - SPECIAL NEEDS	46076	47466		-1390		-1390	Sch 4	
02395 - IN - HOME CARE	89308	86099		3209		3209	Sch 4	3209
02397 - INSTITUTIONAL CARE - TYPE II	89962	91411		-1449		-1449	Sch 4	-1449
02440 - NATIONAL CHILD BENEFIT RE-INVESTMENT	104339	100214		4125		4125	Sch 4 proR	4125
Indian Government Support	51498	66847	0	-15349	0	-15349		0
No project information available	51498	66847	0	-15349	0	-15349		0
01017 - CPP/QPP AND PRIVATE PENSION PLANS - EMPLOYER CONTRIBUTIONS BY FIRST NATIONS	51498	66847		-15349		-15349	Sch2, KW1	
Community Infrastructure	23920	23920	0	0	0	0		0
2013/2014 - Safe Water Operators Program	23920	23920	0	0	0	0		0
08578 - SAFE WATER OPERATIONS PROGRAM - SWOP	23920	23920		0		0	Sch 12	
Total	1991875	1852959	0	138916	0	138916		155655

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Funding Types - FIXED Contribution Funding

- **FIXED** Funding is an annual targeted contribution.
- Unexpended FIXED Funding is subject to recovery by INAC.
- The recipient shall be released from the obligation to reimburse Unexpended FIXED Funding to INAC for one year, **and may retain Unexpended FIXED Funding for the year immediately following the end of the Fiscal Year in which funds were provided, if ALL** following conditions have been met:

Funding Types - FIXED Contribution Funding (cont'd)

a) the Council has **fulfilled ALL of the delivery requirements** of this Agreement for that program, service or activity **in the Fiscal Year for which the funding was provided;**

b) the Council **expends the Unexpended FIXED Funding in the one-year period immediately following the Fiscal Year** for which the funding was provided:

Funding Type - FIXED Contribution Funding (cont'd)

(i) on a program, service **or activity that is similar to and has the same purpose** as the program, service or activity for which the funding was provided; or

(ii) in accordance with a plan for expenditure of the Unexpended Fixed Funding that is submitted by the Council to INAC within 120 days after the end of that Fiscal Year **and that INAC accepts by way of written notice** to the Council.

(Please see Supplemental Information sheet provided)

- ***All deficits*** are the responsibility of the Recipient.

Funding Type - FIXED Contribution Funding (cont'd)

c) **the Council reports on its** expenditure of the Unexpended FIXED Funding in accordance with the Financial Reporting Requirements.

- Any Unexpended FIXED Funding that the Council does not expend in accordance with this section must be **reimbursed** to INAC under section 3.5 (Reimbursement of Unexpended FIXED Funding).

Funding Type - FIXED Contribution Funding (cont'd)

- FIFO method is used by BC Region in calculating Unexpended Fixed Funding
- BC Region will net out deficits with surpluses in two areas: K-12 Education and O&M
- Prior year Unexpended Fixed Funding **must be** reported in the ACFS and its schedules.
- Unexpended FIXED Funding is to be classified as Deferred Revenue.

Fixed Funding

	AANDC Revenue	Audit Expenditures	AANDC Adjustment	Surplus / Deficit Current FY	Surplus / Deficit Pr FY	Surplus / Deficit Cumulative	Audit Page Reference	Unexpended Funds
2014/03/31(2013-2014)	2605475	3045586	0	-440111	184909	-255202		54995
Indian Registration	7691	7691	0	0	0	0		0
No project information available	7691	7691	0	0	0	0		0
02057 - INDIAN REGISTRY ADMINISTRATORS	7691	7691		0		0	4	0
Education	2132445	2515409	0	-382964	184909	-198055		54995
No project information available	870367	1003524	0	-133157	105309	-27848		0
02105 - INSTRUCTIONAL SERVICES FORMULA	376716	432687		-55971		-55971	39	0
02126 - ANCILLARY SUPPORT	23571	23571	1326	-1326	1326	0	39	0
02137 - STUDENT TRANSPORTATION SERVICES - FEDERAL SCHOOLS	18146	51310	-6292	-26872		-26872	39	0
02138 - FINANCIAL ASSISTANCE ALLOWANCES (ALL SCHOOL TYPES)	13530	13530	1297	-1297	1297	0	39	0
02139 - GUIDANCE AND COUNSELLING	23316	23316	2330	-2330	2330	0	39	0
02141 - COMPREHENSIVE EDUCATION SUPPORT SERVICES - FEDERAL SCHOOLS	13629	13629	1339	-1339	1339	0	39	0
02270 - POST SECONDARY STUDENT SUPPORT PROGRAM	401459	445481		-44022	99017	54995	39	54995
2012/2013 TEFA - Tuition	1225338	1407997	0	-182659	79600	-103059		54995
02105 - INSTRUCTIONAL SERVICES FORMULA	1225338	1407997		-182659	79600	-103059	39	0
2012/2013 TEFA - Transportation	36740	103888	0	-67148	0	-67148		54995
02145 - STUDENT TRANSPORTATION SERVICES - BAND OPERATED	36740	103888		-67148		-67148	39	0

Funding Type – Flexible (FLEX) Contribution Funding

- **Flexible** (FLEX) Funding is a multi-year targeted Contribution funding.
- Unexpended FLEX funding may be retained and used by the recipient in a subsequent Fiscal Year(s), if conditions specified in the Agreement are met, until the **earlier of the end of that program, service, activity or project OR the end of the Funding Agreement**, after which any surpluses will be recovered by INAC.
- Prior year Unexpended FLEX Funding **must be reported in the ACFS and its schedules.**
- All deficits are the responsibility of the recipient.

Funding Type – BLOCK Contribution Funding

- **BLOCK** Funding is a multi-year Contribution for a group of programs, services and/activities/or projects
- Recipient will receive a lump sum of funds to run their programs.
- Recipient may re-allocate the funds amongst Block Funded program/activities to meet their needs.
- Net re-allocation among Block funded programs must net out to **zero** and must be **clearly traceable.**

Funding Type – BLOCK Contribution Funding (cont'd)

- **Aggregate surplus/deficit** is carried forward until the end of the agreement (if terms and conditions set out in the funding arrangement are met.)
- Aggregate deficit at the end of the Funding Agreement is the responsibility of the Recipient.
- Aggregate surpluses may be retained by the recipient after the end of the agreement if:

Funding Type – BLOCK Contribution Funding (cont'd)

- Surpluses will be used within the new block services,

or

- The recipient sends a plan to INAC to use the surplus in a different program outside block services, **and INAC must accept the plan in writing.**

(Please see Supplemental Information sheet provided)

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Aboriginal Affairs and Northern Development Canada

Block Funding

	AANDC Revenue	Audit Expenditures	AANDC Adjustment	Surplus / Deficit Current FY	Surplus / Deficit Pr FY	Surplus / Deficit Cumulative	Audit Page Reference	Unexpended Funds
2015/03/31(2014-2015)	1569894	1106999	0	462895	180448	643343		643343
Indian Registration	3807	4428	0	-621	752	131		131
No project information available	3807	4428	0	-621	752	131		0
02050 - LTS CORE FUNDING - REGISTRATION AND MEMBERSHIP	3807	4428		-621	752	131	49prorated	131
Education	423952	347564	0	76388	75928	152316		152316
No project information available	423952	347564	0	76388	75928	152316		0
02100 - ELEMENTARY/SECONDARY	200608	116291		84317	98400	182717	42prorated	182717
02260 - POST SECONDARY EDUCATION	223344	231273		-7929	-22472	-30401	44prorated	-30401
Social Development	607428	183281	0	424147	310236	734383		734383
No project information available	607428	183281	0	424147	310236	734383		0
02300 - INCOME ASSISTANCE	585380	88958		496422	485485	981907	46prorated	981907
02390 - ASSISTED LIVING - BLOCK FUNDING	22048	94323		-72275	-175249	-247524	45prorated	-247524
Indian Government Support	265887	121244	0	144643	-105954	38689		38689
No project information available	265887	121244	0	144643	-105954	38689		0
01065 - INDIAN GOVERNMENT SUPPORT - BAND	265887	121244		144643	-105954	38689	37prorated	38689
Community Infrastructure	238251	431793	0	-193542	-82326	-275868		-275868
No project information available	238251	431793	0	-193542	-82326	-275868		0
08670 - HOUSING	74891	106015		-31124	73178	42054	65prorated	42054
08740 - OTHER - CAPITAL	112336	235469		-123133	-90624	-213757	57prorated	-213757
08741 - OTHER - FACILITIES O&M	51024	90309		-39285	-64880	-104165	54 prorated	-104165
Economic Development	30569	18689	0	11880	-18188	-6308		-6308
No project information available	30569	18689	0	11880	-18188	-6308		0
08075 - COMMUNITY ECONOMIC DEVELOPMENT PROGRAM	30569	18689		11880	-18188	-6308	61prorated	-6308
Total	1569894	1106999	0	462895	180448	643343		643343

Important Dates to Remember:

- Mid February: Call letter is sent out to recipients for identification of their auditors.
- On or Before March 15: INAC must receive back signed identification of auditor forms.
- In order for INAC to contact their auditor directly, the recipient must provide their written approval.

Important Dates (cont'd)

- By Mid May: INAC sends out information packages to recipients and/or their auditors in May each fiscal year. **Packages include:**

  - Funding Confirmation
  - Checklist for INAC audit acceptance
  - Trust fund balances
  - Guaranteed loan balances
  - List of funded Capital projects
  - List of PAYE (Payables At Year End)

Important Dates (cont'd)

- July 29: Audited Consolidated Financial Statements (ACFS) must be received by INAC.
- FSOs have 60 days to finalize ACFS review and send back Audit Letter and Report to Recipients.
- Program officers may contact recipients regarding compliance reviews, missing program reporting, or recovery or reimbursements adjustments under separate cover from the Financial Statement Review process

INAC Financial Statement Review (FSR) Letter

- FSR Letter addresses audit opinion, and the recipient's financial position.
- The letter summarizes surplus recoveries, reimbursements, and deferred revenues
- The letter includes a Detailed Financial Report
- The letter includes additional Annexes and worksheets
- Recoveries and reimbursements will be netted in **same fiscal year;**

Default Management

Basis for Default Management:

2014-2015 Funding Arrangement Article 9.0 Default

- Default of funding provisions
- Denial or adverse opinion by auditor
- Unfavourable Financial Ratios
- Health and safety of members is at risk
- Governance Issues
- Program/Service Delivery or the lack thereof.

Default Management (cont'd)

- Emphasis on prevention by using monitoring, voluntary Management Development Plans (MDP)/ 90-Day Plans, and Management Action Plan (MAP).
- Default management can be on a program specific basis
- Default Prevention: Management and Sustainability are emphasized, where previous policy emphasized default management

Default Management Tools

Low Risk

- Monitoring by FSO and recipient.
- 90-Day Plan – possibly a Management Development Plan (MDP).

Medium Risk

- Management Action Plan (MAP) managed by the recipient.
- MAP recipient-managed with a Recipient-Appointed Advisor (RAA).

High Risk

- MAP with Third Party Funding Agreement Manager.

Financial Health Default (using financial ratios)

- For recipients using the **non-profit** presentation model we still use the operating surplus/deficit divided by total revenue, default management triggered at <0%
- For recipients using the **common government** or PSAB model (including all First Nations), 3 financial ratios are used to determine financial health:
  - Liquidity: < **0.90** is unfavourable
  - Sustainability: < **0.50** is unfavourable
  - Working Capital: < **-0.08** is unfavourable

Financial Ratios - Liquidity

- The liquidity ratio calculates whether the recipient has assets sufficient to cover liabilities. It is a measure of short-term financial health

- **Liquidity Ratio** = Current Assets divided by Current Liabilities.

Ratio Calculations

Liquidity Ratio trigger is less than .9

(UCE + AR + TI + RC)	UCE	+	AR	-	AR (NC)	+	TI		RC	=	Total	Ratio
(AP + CPLTD + DR)	4,909,053		2,400,070		0		0		0		7,309,123	
	BO	+	AP	+	CPLTD	+	DR	+	OCL	=	Total	
	0		1,191,881		0		13,609		0		1,205,490	**6.06**

Information from Statement of Financial Position

- UCE (Unrestricted Cash Equivalents) -> Cash / Term Deposits
- AR (Account Receivables) -> Total Account Receivables
- AR (NC) Accounts Receivable Not Collectible
- TI (Temporary Investments)
- RC (Restricted Cash Current)
- BO (Bank Overdraft)
- AP (Account Payables)
- DR (Deferred Revenue) -
- OCL (Other Current Liabilities)

Additional Data from Notes to Financial Statements

- CPLTD (Current Portion of Long Term Debt)

Financial Ratios - Sustainability

- The sustainability ratio calculates the Recipient's ability to service operational and capital obligations over the long term. It is a measure of longer term financial health.

- **Sustainability Ratio** = Total Financial Assets (less GBE's and TF) divided by Total Liabilities.

Sustainability Ratio trigger is less than .5

(FA - T - OT - GBE)	FA	-	T	-	OT	-	GBE	Total	Ratio
	9,161,178		31,340		0		0	9,129,838	
TL	TL							Total	
	4,505,284							4,505,284	
									2.03

Information from Statement of Financial Position

- TL (Total Liabilities)
- FA (Financial Assets) -> Total Financial Assets
- T (AANDC Trust Funds - Capital and Revenue)
- OT (Trust Funds - Other)
- GBE (Government Business Enterprises)

Financial Ratios – Working Capital

- This ratio tests to see if current working capital deficiency can be covered with one month's revenues.

- **Working Capital Ratio** = [Current Assets less Current Liabilities] divided by Total Revenue.

Working Capital To Revenue Ratio trigger is less than -.08

.00 to .079 is a caution

(CA - CL)	UCE	+	AR	+	TI	+	RC	-	BO	-	AP	-	OCL	-	DR	-	CPLTD	Total	Ratio
	4,909,053		2,400,070		0		0		0		1,191,881		0		13,609		0	6,103,633	
Total Revenue	24,152,055																	24,152,055	**0.25**

Information from Statement of Financial Position

- UCE (Unrestricted Cash Equivalents) -> Cash / Term Deposits
- AR (Account Receivables) -> Total Account Receivables
- TI (Temporary Investments)
- RC (Restricted Cash Current)
- BO (Bank Overdraft)
- AP (Account Payables)
- OCL (Other Current Liabilities)
- DR (Deferred Revenue)
- CPLTD (Current Portion of Long Term Debt)

Information from Statement of Operations

- Revenue -> Total Revenue

2014-2015 FSR Observations

- **<u>Opportunities for Improvement:</u>**
  - Timely submission of the Audited Consolidated Financial Statements (ACFS) by 29 July.
  - Lack of Notes to Financial Statements, or lack of details in the Notes (i.e. Notes for Cash, A/R, A/P, Deferred Revenue…etc).
  - Below the line adjustments both in Financial Statements and/or Schedule (i.e. Showing Deferred Revenue and estimated INAC Recovery below the Annual Surplus, rather than in the main Statement of Operation.

Audits Due (187)	On July 29	30 Days	60 Days	90 Days	120 Days
Audits Received (13-14)	29	143	153	163	175
Audits Received (14-15)	86	142	165	165	

2014-2015 FSR Observations, Cont'd

- Auditor qualifications not being addressed and rectified:
  - Departure from GAAP principles regarding the registration and evaluation of Capital Assets.
  - Lack of Budget column in the Statement of Operation, Statement of Changes in Net Debt/Asset, and in Schedules.
  - Auditor inability to determine revenue from Investments and GBEs, resulting in **inaccurate** consolidation of Financial Statements.

2014-2015 FSR Observations, Cont'd

- Mixing of Funding Types (Set and Fixed and Flex) into one Schedule, (i.e., Social Assistance programs (Set Funding) and Service Delivery (Fixed Funding) are not to be in same schedule.)
- Expenses are often not detailed by Line Object in schedules, especially in Program-based Funding, such as Social Assistance and Education.
- Expenses on Program Reports do not match expenses on Program Schedules (Annex A).
- Capitalization of Tangible Capital Assets Expenditures directly without showing Cash In and detailed Cash Out.

Challenges??

- **<u>Challenges facing First Nations</u>**
  - What are the challenges that are facing the Bands in preparing the Financial Statements and prevents them from submitting on or before the deadline?
  - How can INAC and/or AFOA assist the First Nations to meet their mandated requirements?

Default Management Reference

- **Policy 200 Default Prevention and Management**

  http://www.aadnc-aandc.gc.ca/eng/1322682173587

- **Directive 205 Default Prevention and Management**

  http://www.aadnc-aandc.gc.ca/eng/1325176493347

- **Directive 210 - Third Party Funding Agreement Management**

  http://www.aadnc-aandc.gc.ca/eng/1325173099700

Other References

- **The Reporting Guide & Program Reporting Requirements:**

  http://www.aadnc-aandc.gc.ca/eng/1385559716700/1385559777677?utm_source=ReportingGuide&utm_medium=url

- **Financial Reporting Requirement (FRR):**

  http://www.aadnc-aandc.gc.ca/eng/1418410624330/1418410790052

  Consistent Consolidated Financial Statements Model:

  http://www.aadnc-aandc.gc.ca/eng/1386700365578/1386700453627

  Supplementary Information:

  http://www.aadnc-aandc.gc.ca/eng/1386183606440/1386183649942

  First Nations Financial Transparency Act (FNFTA):

  http://laws-lois.justice.gc.ca/eng/acts/F-11.66/page-1.html

Questions??

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