



FIRST NATIONS FINANCIAL STATEMENT AND AUDIT RESEARCH

LEAD REPORT

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First Nations
**FINANCIAL
MANAGEMENT
BOARD**

**CONSEIL
DE GESTION
FINANCIÈRE** des
Premières Nations

Table of Contents

Executive Summary	3
Introduction and Background	4
Research To Date	8
Findings from the Research.....	9
Recommendations.....	13
Conclusion	34
Appendix I: Chronology and Background.....	35
Appendix II: Quantitative Analysis and Data-Driven Proposals	38
Appendix III: Summary of First Nations Government Survey Findings	63
Appendix IV: Preliminary In-Person Survey Findings	65
Appendix V: Summary of Top Answers in the On-Line Survey	68
Appendix VI: Required Accounting in First Nation Communities.....	70
Appendix VII: Impact and Outcomes of FMB’s Default Management Prevention Pilot Project (DMPPP) for First Nations.....	71
Appendix VIII: Implementation Plan	76

Executive Summary

Timely and accurate financial reporting by First Nations governments is crucial for maintaining accountability, transparency, and trust – both within communities and among external partners such as investors, rating agencies, and other levels of government. Despite ongoing efforts by the First Nations Financial Management Board (FMB) and the First Nations Finance Authority (FNFA), a growing number of First Nations face persistent challenges in preparing and then issuing audited annual financial statements in a timely manner. As of May 2025, 37% of First Nations governments had yet to issue their 2022-2023 fiscal year annual audited financial statements, and 56% had yet to issue their 2023-2024 fiscal year annual audited financial statements.

To better understand the factors behind late or incomplete annual financial statements, the FMB conducted a national survey of finance professionals working in First Nations communities and Chartered Professional Accountants (CPAs) providing auditing and consulting services to First Nations. The survey of First Nations yielded 123 responses (representing approximately 25% of the population). The survey data, independently analyzed by Mokwetah Consulting, revealed multiple systemic and resource issues. The survey of CPAs resulted in 36 responses from the online survey and in-person interviews. The FMB also conducted internal research using quantitative analysis from the FMB Statistical Initiative to identify causal factors to the issue of late and missing annual financial statements.

Through this work the FMB identified several key challenges including limited administrative and accounting capacity, fragmented and complex regulatory requirements, and underfunded accounting support and audit services. Based on these findings, targeted recommendations were developed and prioritized to enhance financial management capabilities, such as establishing regional finance hubs, adopting modern cloud-based systems, advocating for multi-year funding arrangements, creating a specialized pool of Indigenous auditors, and streamlining regulatory requirements.

The FMB initiated and is sustaining proactive efforts to overcome identified challenges and foster impactful change. Key priorities include:

- **Capacity-building initiatives:** expanding training programs tailored to First Nations governance, administrative, and accounting practices; developing a pipeline of uniquely qualified Indigenous CPAs; and expanding on-demand professional support services.
- **Institution-building:** together with our partners, developing institutions to respond to the immediate needs of First Nations governments.
- **Policy advocacy:** advocating for changes to funding structures and regulatory frameworks.

Through these coordinated efforts, the FMB aims to support First Nations governments in overcoming systemic challenges and supporting a more reliable, transparent, and streamlined financial reporting environment. The FMB's goal is to work towards building an environment of success for First Nations across Canada, in partnership with First Nations, the federal government and other key partners.

Introduction and Background

Introduction

Timely preparation, completion, and issuance of annual financial statements, together with an accompanying independent auditor's report, is fundamental to ensuring accountability, transparency, and trust in First Nations governance. More than a reporting tool to Canada, financial reporting first and foremost serves the basis for establishing a trusting relationship between a government and its people, in this instance, the First Nations government and its citizens. A Financial Administration Law (FAL) that meets the FMB's standards requires the First Nation to make their audited annual financial statements available no later than 120 days after the First Nation's year end¹. This timing also aligns with the [First Nations Financial Transparency Act \(FNFTA\)](#). However, the FMB has observed that many First Nations, either with a FAL or without, face ongoing challenges, such as limited administrative capacity, complex reporting obligations, and insufficient auditor availability.² Delays in making audited annual financial statements available can adversely affect funding opportunities and weaken confidence in governance.

In recent years, a significant decline in the availability of First Nations audited annual financial statements was noted. Recognizing the need for actionable insights, the FMB undertook a broad research initiative into this important issue. The research project included a national survey of First Nations government finance professionals and assurance practitioners in the CPA profession. The FMB then sought an independent analysis by Mokwateh Consulting of the First Nation survey data to identify and better understand the causes of these delayed audited annual financial statements.

Building upon these findings, this report consolidates the Mokwateh Consulting report with the FMB's analysis and proposes solutions to enhance First Nations' financial reporting processes. It not only addresses Mokwateh Consulting's recommendations but also outlines the next steps that the FMB will pursue to further refine these solutions and explore areas for improvement. By doing so, the report provides a clear path forward to identify and address the root causes of delayed First Nations audited annual financial statements.

Background

Over the past several years, the FMB and the FNFA have worked collaboratively to facilitate timely and accurate financial reporting by participating First Nations. Since its inception, the FMB has collected First Nations audited annual financial statements as a source of data to inform planning on how to best provide services under the [First Nations Fiscal Management Act \(FMA\)](#). In 2018, the FMB began providing biannual updates to the FNFA on the financial performance of debenture participants and highlighted those that had not yet published their audited annual financial statements.

¹ With a March 31st financial year-end this deadline is July 29th

² Survey data revealed that 25% of respondents reported insufficient auditor availability as a contributing factor to the timing of their audited financial statements being completed.

In 2020 this data was instrumental for the FMB to determine the significance of the Indigenous economy and the volume of revenues generated by First Nations. This research led to the Government of Canada creating the “Own-Source Revenue in Indigenous Communities Initiative,” to offset the loss of revenues in First Nations communities during the COVID-19 pandemic. It was during this time that the FMB began coordinating the tracking of audited financial statement results with Indigenous Services Canada (ISC) for First Nations in the 10-Year Grant program. There was a significant decline in the availability of annual financial statements noted due to the pandemic, and it was believed this trend would reverse once the pandemic restrictions ended.

In the following year, the FMB continued collaborating with the FNFA on the shared concern of the potential impacts that this might have on First Nations citizens, their governing bodies, and the FMA regime. It was at this time, to address ongoing capacity issues of First Nations governments, that the FMB created the Financial Management Systems (FMS) Support Services program for First Nations governments having difficulty attracting and retaining skilled human resources for their finance teams. Also in 2021, the FMB began efforts to become a CPA Pre-Approved Training Office (PATO) in multiple jurisdictions to address the under-representation of Indigenous people in the CPA profession and potentially begin filling the resource gap of available skilled accountants to work for First Nations.

As the trend of late and missing annual financial statements continued into 2023, enhanced check-ins between the FMB and the FNFA began to identify causes and provide targeted capacity development support to FNFA clients. In the same year, the FMB engaged with the accounting and assurance professions and standard setters to highlight how colonialism has contributed to the marginalization of Indigenous Peoples. It's through this advocacy that the CEO of the FMB is an advisor to the CEO of CPA Canada and the FMB now has representation on multiple standard setting boards. This has provided a platform to bring forward issues that contribute to financial statement delays for First Nations governments with complex accounting requirements. Also in 2023, the FMB became a PATO for the CPA Professional Education Program in the province of British Columbia, then in Ontario and Manitoba the following year.

With the issue of late and missing audited First Nations annual financial statements continuing into 2024, the FMB and the FNFA created a joint task force to get a clearer and more comprehensive understanding of the causes of this issue. These efforts began with informal conversations with clients, and expanded to presentations at major forums (e.g., Aboriginal Financial Officers Association of Canada (AFOA) National Conferences) to gather information. The FMB's outreach was further expanded to a nation-wide survey of First Nations governments and the CPA professions, with research culminating in 2025 with this lead report on actionable recommendations on addressing this issue. A more detailed chronological history of the FMB's efforts are in *Appendix I*, Chronology and Background.

Preliminary Quantitative Study from the FMB

The FMB prepared a quantitative study that evaluates factors associated with the timely availability of First Nations government audited annual financial statements, this report is in *Appendix II*. It is a detailed analysis of financial statement data gathered and compiled by the FMBs Data Analytics Team (DAT), which

included recommendations on addressing the issue of late and missing First Nation annual financial statements. The analysis revealed that First Nations that more progressively work with the FMB have their audited annual financial statements publicly available in a timelier manner. First Nations that have a Financial Performance Certificate (FPC), Financial Management System Certificate (FMSC), or 10-Year Grant typically submit their audited annual financial statements to ISC earlier than those without. These findings suggest that capacity building and structured financial management support, such as what the FMB provides, are effective in supporting completion of audited annual financial statements. First Nations in general are completing their annual financial statements, but those working with FMB do have higher completion rates.

Table 1: Positive Outcomes of First Nations Working With the FMB

Overall Annual Financial Statement Completion Rate



Analysis of 2022-2023 Fiscal Year Audited Annual Financial Statements		
First Nations with Available Annual Financial Statements	368	%
Not Working with the FMB	140	38%
Working with the FMB	228	62%

First Nations Without Available Annual Financial Statements	212	%
Not Working with the FMB	136	64%
Working with the FMB	76	36%

(Source: FMB research as of June 2025)

Figure 1 First Nations with Available Annual Financial Statements

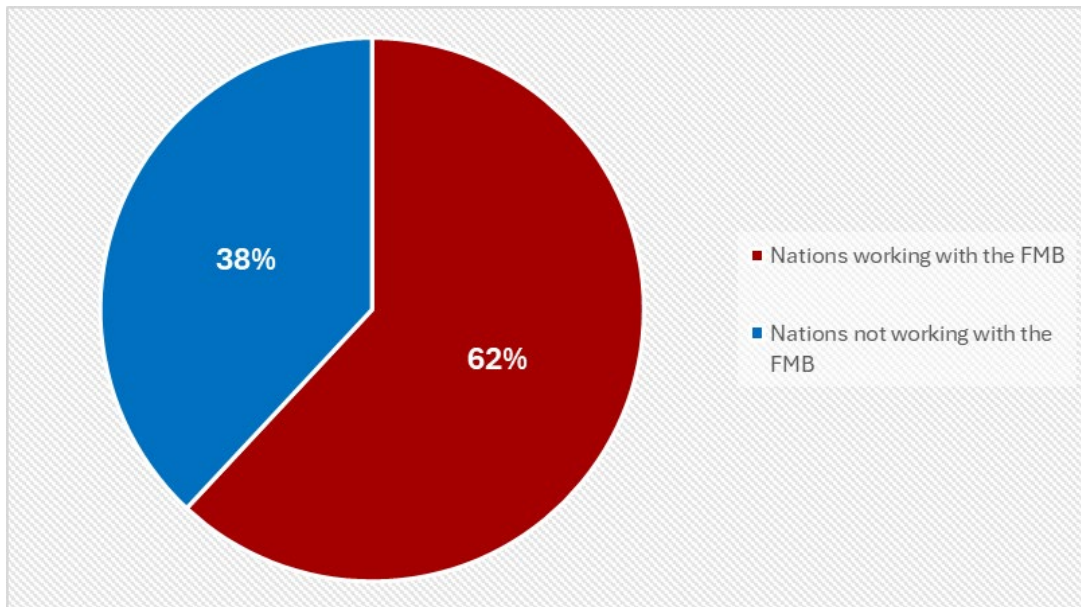
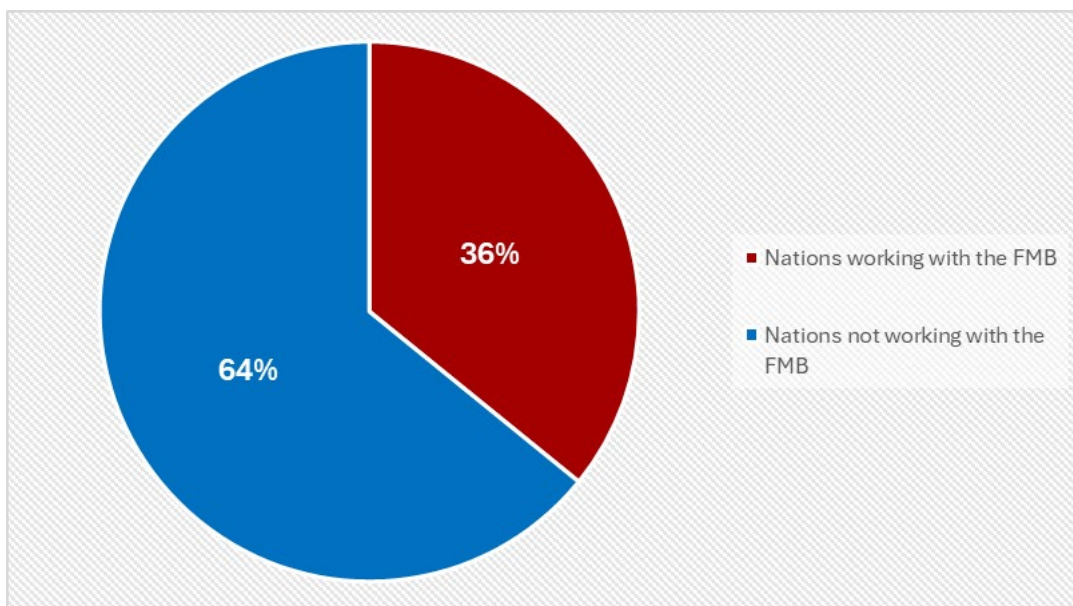


Figure 2 First Nations without Available Annual Financial Statements



The data show a positive relationship between annual financial statement presentation and support from the FMB, so it will be important for the FMB model to continue. This will require that the FMB receives the necessary financial resources to continue its important work in supporting First Nations governments.

Another recommendation is for the Government of Canada to recognize the heightened level of accountability and transparency that an FMS certificate provides. This recognition could be demonstrated through an easing of reporting requirements linked to federal fiscal transfers, and potentially in facilitating the monetization of future years' federal fiscal transfers. The FMB's FMS certifications yield tangible results; it follows that these results should be recognized by the Government of Canada.

Regional variations also stood out as significant. First Nations in Quebec consistently demonstrated higher availability and faster submission times, whereas communities located in Ontario and the Prairie provinces tended to experience more delays. In addition, Nations classified as having a "medium" level of geographic remoteness were less likely to have their statements publicly available for the 2022 fiscal year, highlighting the importance of examining unique local circumstances. Interestingly, other demographic indicators, such as community population size and formal education levels, showed some significance. Nations with higher education levels were more likely to have publicly available statements, though higher population communities were slightly more delayed in having their audited annual financial statements publicly available.

These regional trends demonstrate that First Nations in specific regions may be facing distinct challenges, which require solutions that meet their unique needs. These results provide evidence that a one-size-fits-all approach will likely not be appropriate to address the needs of each region. A recommendation is to conduct further research to identify the specific factors, in each region, that have the greatest impact on the availability and timeliness of these annual financial statements. Once these specific regional factors are identified, capacity support can be tailored to meet each region's unique needs. Further research could also reveal what factors are present for Quebec First Nations that result in higher availability and timeliness of their audited annual financial statements.

These results point to the need for targeted policies and supports that address the particular systemic and circumstantial challenges faced by different regions and demographic groups. They also underscore the benefits of working with the FMB to enhance financial management systems. Further research could explore why certain provinces have performed notably better or worse and investigate other factors that may hinder a First Nation's ability to provide audited annual financial statements in a timely manner.

Research To Date

The process of making audited annual financial statements available involves several key steps. First, the First Nation's finance team will have completed all year-end procedures of entering relevant invoices, completing reconciliations, and making any required adjusting journal entries. Ideally this will occur monthly where the First Nation is preparing accurate interim financial statements and subsequently the annual ones in compliance with relevant accounting standards and funding agreements. Once the annual financial statements are prepared, the Nation must engage a licensed independent auditor, coordinate the timing of the audit, and support the audit process by providing necessary documentation and access to financial records.

However, there are many factors and challenges that can affect when a First Nation is able to issue its audited annual financial statements, including internal capacity and the complexity of its financial operations. This requires the First Nation to rely on the auditors to ensure annual financial statement completion and compliance with GAAP or funding requirements. The survey of both First Nations and CPAs indicated that a large proportion of First Nations do this. This creates a potential conflict of interest for the auditor as they could be perceived as reviewing their own work. This is further exacerbated by the small pool of available auditors.

The FMB has completed a survey of First Nations finance and accounting staff, asking a series of questions relating to the day-to-day accounting and annual audit, with a summary of survey results in *Appendix IV*. The survey was conducted by FMB staff, with 123 respondents from across Canada. Mokwateh Consulting was engaged to provide an additional analysis of the data and provide recommendations. This commissioned report is used to further support existing research and provide guidance on development of the recommendations presented in this report.

An additional survey was conducted with CPAs working with First Nations and providing audit services to them. Leger Consulting was engaged to conduct this research, which was done in two components: in-person surveys (qualitative data) and an online survey (quantitative data). The qualitative portion involved discussions with CPAs on their experiences working with First Nations governments, their observations, and any recommendations they have to improve the operating environment, audit, and annual financial statement presentation.

The online survey was presented more generally to licensed CPAs providing services to First Nations governments. This survey was conducted in partnership with provincial CPA governing bodies in British Columbia, Alberta, Saskatchewan, Manitoba, and New Brunswick. Their assistance made the survey possible, and their participation is appreciated. CPA Ontario, CPA Quebec and similar bodies in Atlantic Canada declined to participate in this research.

The CPA survey provided eight in-person interviews (a summary of findings is presented in *Appendix V*) and 28 online responses (a summary of these results is presented in *Appendix VI*). This data further supports the FMB's research and anecdotal findings observed through their work and experiences. It was also used in the development of the recommendations presented.

Findings from the Research

The survey yielded many key findings in support of those identified by the FMB and the commissioned report from Mokwateh. These issues were further substantiated in the survey of CPAs providing auditing and consulting services to First Nations.

Incomplete Accounting Records

One of the primary causes of financial reporting delay is incomplete accounting records. Many First Nations communities are struggling to complete routine daily accounting tasks to record all financial transactions of the Nation. Several major challenges were identified as root causes:

- Capacity

Survey results demonstrate there are multiple challenges relative to capacity: insufficient staff sizes, recruitment and retention challenges, insufficient technical accounting skills and knowledge, and funding shortages.

- 77% of respondents stated that recruitment and retention of staff on finance teams was a major issue, citing reasons of remoteness, housing, pay, and political climate. This requires many First Nations governments to contract consultants to complete accounting work. The survey showed that over 50% of the respondents use third-party consultants. Among Nations that have completed annual financial statements and stated staffing was an issue, 88% used third-party consultants.
- The survey indicated that a lack of advanced accounting knowledge and experience is a source of problems for First Nations governments. Some of the accounting and financial reporting required by First Nations is complex, such as mandated accounting policies that deviate from Generally Accepted Accounting Principles (GAAP), or the accounting of service activities outside the scope of government funding. For example, First Nations borrowing from the Canada Mortgage and Housing Corporation (CMHC) are required to prepare special purpose annual financial statements for social housing that apply a depreciation policy that is not GAAP compliant. Sometimes this same policy is then applied in the preparation of the general purpose annual financial statements of the First Nation government creating an accounting error. With the lack of technical accounting skills facing many First Nations, this is a significant challenge, often leading to qualified audit opinions and negative impacts to credibility and trust in the First Nation.³
- An underlying issue linked to lack of capacity is a shortage of administrative funding that First Nations governments receive. Funding levels often fail to reflect the true cost of operating a finance and administrative team within First Nations governments⁴. To meet their ongoing financial reporting requirements, Nations will often use other budgetary funds to pay for external accounting services.

- Technology

- As a part of their analysis, Mokwateh Consulting interviewed several subject matter experts (SMEs) working with First Nations governments, who highlighted that many First Nations are using outdated or inappropriate software for their accounting needs. This was found to create ineffectiveness in reflecting the First Nation's accounting needs and the inability to process accounting transactions properly.
- The interviews conducted by Mokwateh Consulting identified that Nations struggle with connectivity where access to the Internet is very limited. In the digital age, this is a major

³ Refer to Appendix VII: Required Accounting in First Nation Communities.

⁴ FMB commissioned research to determine the true cost of implementing a FAL to achieve FMS Certification.

issue. This is corroborated by the AFN report⁵ on closing the infrastructure gap, where only 20 First Nations communities were identified as having the three main infrastructure pieces for connectivity: fibre backbone, fibre to the home, and Long-Term Evolution (LTE) or 5G mobility.

- Required Accounting and Reporting Obligations
 - Many First Nations governments engage in diverse operations, which then require diverse accounting needs and subsequently more complex reporting. Refer to *Appendix VII* for information on this required accounting.
 - To meet these needs and requirements, the First Nation must have the technical accounting skills to make the appropriate accounting decisions and entries. This ensures that proper reporting occurs to the right people at the right time.

Administrative Burdens

The complexity and fragmentation of funding sources for First Nations governments present significant administrative challenges. Different types of funding – flexible, fixed, set, or grant – each come with their own unique spending rules, timelines, and reporting requirements. This includes the CMHC non-GAAP reporting requirements. With each new funding arrangement there is an exponential growth in this reporting, which means devoting substantial time and resources to ensure each funding stream is appropriately managed and reported. This overlapping web of requirements can strain limited administrative capacities and divert attention away from other critical community needs.

This burden is worsened with the unavailability of technically skilled Financial Officers to guide funding reporting as well as direct the accounting demands of a First Nation, which are complex and varied. This includes a knowledge of up to three different accounting frameworks. With difficulty in attracting CPAs to fill this role, this falls on under-skilled financial staff.

Government Business Enterprise (GBE)

First Nations have been a growing economic force as they broaden their development vision and leverage available resources. Data shows that between 2016 and 2022, “Earned” & “Other Revenue”⁶ has grown by \$1.85 billion – an increase of 76%. This growth represents the need for more accounting resources with the required technical skill to ensure the proper accounting method is being used. This requires a knowledge of and ability to make decisions in relation to the CPA Canada Accounting Handbook when

⁵ Assembly of First Nations, & Indigenous Services Canada. (2023, March). Closing the infrastructure gap by 2030: A collaborative and comprehensive cost estimate identifying the infrastructure investment needs of First Nations in Canada. Assembly of First Nations.

⁶ Earned and other revenue includes a Nation’s self-sourced revenue and other non-categorized revenue, which may include net income from government business enterprises (GBEs), total revenue from consolidated Nation-owned businesses, local taxation revenue, users fees, portfolio investment income, and other non-categorized income.

preparing the GBE's separate annual financial statements⁷ which requires consolidation⁸ into the First Nations government's annual financial statements. These all represent challenges to the First Nation in their annual financial statement preparation process.

Limited Resources

In 2023, the FMB conducted a study on the Cost of Governance in First Nations⁹. Of the 10 First Nations who agreed to answer questions on the cost breakdowns of their administrations, funding shortfalls of 50%-80% were identified relative to actual costs faced by First Nations administrations. This shortfall was particularly acute for Band Support Funding.

This was additionally substantiated in the First Nations survey where respondents identified insufficient support by ISC for Band Support Funding as an issue. With inadequate funding, First Nations governments cannot hire the needed accounting and administration people or acquire the technological supports necessary in today's digital world. This also applies to third-party costs relating to audit services, where these costs continue to grow due to inflation and market demand, but no corresponding change is reflected in current funding formulas.

First Nations participants as well as CPA audit practitioners in the surveys also identified several other issues relating to resources, in particular the growing scarcity of audit professionals¹⁰ including:

- Availability, which encompasses both time and willingness to work in the field of First Nations government audits.
- Timing, where neither the First Nations government nor the CPA's schedules align due to readiness by either party.
- Profitability, where CPAs pursue more lucrative clients.

⁷ GBEs are considered publicly accountable entities and are directed to Part 1 – IFRS of the CPA Accounting Handbook when preparing their separate financial statements. In practice, most GBEs selected and use Part II – ASPE for financial accounting and reporting.

⁸ Under Public Sector Accounting Standards, a First Nation government's investment in a GBE is accounted for using the modified equity method. If a GBE no longer meets the criteria used to apply this accounting treatment it must be accounted for using the consolidation method.

⁹ First Nations Financial Management Board. (2023, October). *Governance Modernization Study & Pilot*.

¹⁰ Richmond, B. (2024, July 10). Combating the shrinking accountant talent pool. Canadian Accountant. Accessed at [Combating the shrinking accountant talent pool](#). See also Lorinc, J. (2024, August 26). Canada needs more CPAs, here's how to attract them. CPA Canada.

Posting of Audited Annual Financial Statements

The research also identified the availability of audited annual financial statements on the ISC website and a First Nations government's unwillingness to share their annual financial statements as contributors to this problem.

- The FMBs quantitative study revealed that there is frequently a significant delay from the time that the audited annual financial statements are signed to the time that the report is posted on the ISC website¹¹. This speaks to administrative issues within ISC that are contributors to this problem.
- Some First Nations governments have chosen to forego sharing their audited annual financial statements with the Government of Canada for public posting because they deem their statements privileged information, meant only for their citizens.

Recommendations

The external report prepared by Mokwateh Consulting offered several recommendations in response to their findings. Combined with the FMB's internal dataset analysis and the CPA survey findings, a series of actionable recommendations have been developed to work towards the presentation of audited annual financial statements in the short-, mid-, and long-term. These recommendations seek to address the resource issues of available staff and funding as well as systemic issues related to the accounting and reporting expected of First Nations governments. The actions focus on resource development and advocacy on behalf of First Nations to create an environment of success.

To address the ongoing issue of delayed or incomplete First Nations annual financial statements, the FMB will preliminarily focus on FMB and FNFA clients and provide whatever assistance is required to have annual financial statements completed and submitted. Secondly, resources developed can also benefit all First Nations.

These recommendations are based on the FMB's experience and knowledge supported by the commissioned report developed by Mokwateh. These are actionable items that fit within the mandate of the FMB and the operational capabilities of its team. Some can be acted on by the FMB alone, while others require establishing partnerships with outside organizations, leveraging the FMB's strengths and taking advantage of existing opportunities. These recommendations are listed on the best estimated time horizon to complete and realize any potential outcomes.

Short-term

Time	Category	Sub	Corp Goal
Immediate	Marketing	Support	1.4

¹¹ Tracking data indicates these timelines in Appendix II: Quantitative Analysis.

1. Raising Awareness of Existing Supports: The primary objective is to remind current FMB and FNFA clients with delayed or missing annual financial statements about the support services available to them. The FMB can reach out to those specific clients and engage in discussions on their current operational state as it relates to accounting and administration. It's through this tactful discussion that support services can be offered to clients who may need temporary assistance to get their annual financial statements completed.

The FMB will continue outreach activities to non-FMB clients and educate them on the free services available to First Nations governments.

Time	Category	Sub	Corp Goal
Immediate	Support	Accounting	1.1, 1.3

2. Support Hubs: The FMB will need to be ready to provide support services to their clients and those of FNFA if they request support in completing outstanding accounting and administrative work that may be hindering completion of their annual financial statements. The strategy of raising awareness is anticipated to yield positive results that will encourage FMB and FNFA clients to reach out for assistance. The initial primary focus of this would be the FNFA clients, as they represent the most significant risk, therefore FMS Support Services will need to develop a strategy to accommodate this increase in demand and focus the team on this priority.

As increasing awareness will lead to greater demand for the services that the FMB provides, the FMS Support Services team will need to expand their operational capacity proportionately. This will mainly require an increase in staffing across the country, which will necessitate a recruitment strategy developed with Human Resources (HR) and Corporate Services (CS). HR will provide expertise in a recruitment strategy and provide guidance on timelines whereas CS will provide the knowledge on costing within the available budgets.

This expansion of services speaks to the Mokwetah recommendation of expanding service hubs across the country in effort to provide more service hours as well as expanded service offerings. (Expanding service offering will be discussed later in this report in relation to another recommendation.) Expanding service hours has always been a goal of the FMB, but it requires careful planning to ensure there is a need and available funding to make growth possible. The FMB provides services both within the Default Management Prevention Pilot Project (DMPPP) and Financial Management Systems Support Services (FMS SS) teams which supports the need for these services. FMB research shows that First Nations working with the DMPPP have observed significant improvements to their financial health.¹² There is anecdotal evidence of the impact of FMS SS in First Nations communities.

¹² Refer to Appendix VII: Efficacy of the Default Management Prevention Pilot Project (DMPPP) for further details.

Expansion of services can include specific services to aid in the accounting and administrative functions for the First Nation, such as “Funding Journal Entries.” Many Nations struggle with recognizing funding from ISC/CIRNAC because of the convoluted and complex funding letters, amendments and Notice of Budget Adjustments (NOBA). Assistance is often needed in taking the funding information from the PDF letters to Excel and cross-referencing to the First Nations chart of accounts so they can properly record and track their revenue and all the subsequent changes to that funding. This service can include a teaching component so that the First Nation can take full control for this work. This provides essential accounting data for reconciliation, statement presentation, and reporting purposes.

Time	Category	Sub	Corp Goal
Immediate	Sustainability	Support	1.3, 2.2

3. Maintain Optional Services for First Nations Governments: First Nations governments need continued access to capacity building and support services that are optional, free of charge, and delivered by Indigenous organizations that operate on a non-profit basis. These services are vital to furthering self-determination.

Currently, the FMB is the preferred service organization for the largest number of First Nations governments across the country. As of May 2025, there are 376 First Nations scheduled to the FMA, of which 304 have a Financial Administration Law and are eligible to receive capacity-development support. Both programs, FMS SS and DMPPP, have led to successful, timely preparation and issuance of the audited annual financial statements for the communities working with these services. The analytical insights #1, #2, and #7 support this assertion (refer to Appendix III, Table A5).

However, to continue providing these free, optional services to First Nations governments, the FMB requires sufficient, predictable and long-term funding. In particular, the two pilot programs mentioned above should be funded by CIRNAC as part of FMB’s “A-Base” operations rather than as temporary “pilot projects” funded by ISC.

Mid-term

Time	Category	Sub	Corp Goal
Mid-term – up to a year	Accounting	Governance/advocacy/marketing	2.2

4. Re-certification: The certification process promotes and ensures proper accounting and administration practices, making it an ideal tool for leveraging the completion of annual financial

statements. There are several options that can be reviewed and potentially implemented, but will require some research, planning, and consideration.

Re-certification can be planned on a five-year cycle where the Financial Performance Certification (FPC) and Financial Management System Certification (FMSC) are re-examined by the Standards and Certification (SAC) team. Ongoing certification encourages maintenance of FMS processes ensuring that the current financial state of the First Nation is always reflected. This also provides assurance to other interested parties, funders, and lenders, including the FNFA, as this process would include the requirement of annual financial statements.

The challenge with this is creating value beyond accountability for the First Nations because the requirements associated with obtaining and maintaining an FMS Certification require significant effort. The process of ongoing certification could be linked to formula-based transfers and could be accompanied by ongoing capacity support as a benefit. Likewise, ongoing certification could be a way to opt out of the FNFTA as the First Nation will be exercising the strong operational controls and reporting the act intended. The analytical insights #1 and #2 support this recommendation (refer to Appendix II, Table A5). An additional potential benefit of this process would have ISC reduce the amount of reporting required from First Nations. With the First Nation exercising verifiable strong operational procedures and controls, reporting can be limited to financial statements and minimal statistical reporting.

Another potential avenue for creating value in recertification is credit risk mitigation for lenders and reputation enhancement with business partners and investors. With no regulatory or legal requirement for ongoing compliance with FMB standards, this could be a potential methodology to encourage a desire for maintaining a good standing. To support this, an approach would be to offer optional smaller engagements to review specific elements of the certification process, which could be presented as ‘refreshers’ for the First Nation.

Another more passive approach would be to engage in a marketing approach of extolling the benefit of recertification as a commitment of the First Nation to accountability and transparency. This would also act as a promotional tool for the optional engagements.

Time	Category	Sub	Corp Goal
Mid-term – up to a year	Accounting	Reporting	2.2

- Optional Financial Statement Repository: First Nations have expressed concerns with the FNFTA and the requirement of annual financial statements being made public. The concern with this is the potential for non-citizens of the First Nation having access to what the First Nation perceives as privileged information relating to their funding and or business endeavors. This may be used to encourage the submission of annual financial statements to a new independent First Nations

Financial Statement Registrar. This type of organization could provide a secure location where their citizens, the FNFA and ISC/Crown Indigenous Relations & Northern Affairs Canada (CIRNAC) can access and view the First Nation's annual financial statements.

This can be linked to the certification process, or the re-certification recommendation with the regular provision of audited annual financial statements to the FMB through a new third party First Nations-led organization. These audited annual financial statements could be submitted through a new optional Financial Statement Registry service provider, complete with a registrar function.

A potential enhancement to this service would be the introduction of an FMB-developed standardized template for First Nations governments' chart of accounts. This template has been used by the FMB in its work of digitizing the audited annual financial statements of First Nations governments from the years 2016-2023. This has allowed for comparative analysis of these audited annual financial statements between governments and over time. The work to date by the FMB on the Statistical Initiative could be used as a starting point in the development of a formal and optional Financial Statement Registry by the FMB for First Nations to submit their annual financial statements to. Advancing this overall concept could provide more accurate First Nations financial statistics that would be of value to First Nations governments, citizens, partnering organizations, and other levels of government. An FMB Registry would allow First Nation governments to access their financial and socio-demographic data, observe trends over time, and make decisions with fulsome data.

There is potential for collaboration with AFOA British Columbia, which has proposed a New Operational Reporting Method (NORM) for many years now, to standardize the way that reporting is completed by First Nations governments. This has also been proposed to align with First Nations under the 10-Year Grant. This represents an alignment with the FMB and can be reviewed for any potential it may have. This also offers additional options to explore such as having First Nations annual financial statements transmitted electronically to third parties through a block-chain or near-field communication (NFC). This is research the FMB can engage in to determine the viability of developing this type of financial statement submissions.

The recommendation could require a significant investment from the FMB to hire the people to manage, build the infrastructure to house documents, and software for data management and security. Additional research and engagement with SMEs would be required to determine feasibility and effectiveness of this recommendation.

The recommendation would require a significant investment from the FMB to hire the people to manage, build the infrastructure to house documents, and software for data management and security. This would also require research and engagement with SMEs to determine the feasibility and effectiveness of this recommendation. Additional consideration will also need to be given to

the risk that the Access to Information Act (ATIA), represents, to ensure only those with the right or privilege to view First Nation financial information can do so. The FMB is doing work to address the ATIA including seeking amendments to have the FMB be a part of the list for statutory exemptions from disclosure of certain information, which would mitigate this risk

Time	Category	Sub	Corp Goal
Mid-term – up to a year	Accounting	Research/advocacy	3.5, 5.1

6. Special Purpose Reporting: Different accounting policies in the separate special purpose financial statements required by CMHC for First Nations with mortgages can lead to qualified audit opinions in the general purpose financial statements of the First Nation government as well as making them late. CMHC requires the preparation and audit of separate non-GAAP¹³ annual financial statements. This creates accounting differences between the First Nations governments' monthly, quarterly, and annual financial statements that must be tracked and reconciled. It is unclear what policy reasons justify this differential reporting requirement. As such, it is recommended that a study be conducted to evaluate the current CMHC requirements, and whether those requirements could be met through other means. The results of the study may subsequently allow the FMB and other like-minded institutions to advocate for CMHC to align their reporting in a way that more closely aligns with First Nation government accounting methods.

There is no additional cost for this as it fits within the FMB's existing operational capabilities and goals.

Time	Category	Sub	Corp Goal
Mid-term – up to a year	Resourcing	Training	2.1, 3.5

7. CPA Professional Development: This recommendation strives to improve the quality of services in First Nations governments from CPAs as well as provide contextual training to CPAs and perhaps encourage more to take on work for First Nations governments. All CPAs are required to complete a minimum number of hours annually for their continuing professional development. This includes a minimum number of hours devoted to specific topics such as ethics and anti-money laundering. The FMB can partner with CPA regulators to create training content relating to accounting and administration of First Nations governments as a part of truth and reconciliation

¹³ We refer the reader to Appendix VI: Required Accounting in First Nation Communities

commitments of CPA governing bodies. This exposure would help all CPAs understand the challenges faced by First Nations to complete this work and ideally foster better understanding which could encourage more willingness to work with First Nations. It would also allow CPA firms to act on the Truth and Reconciliation Committee of Canada Calls To Action (TRC CTA) number 92, of fostering an understanding of First Nations people.

The FMB could also be a place where university students studying accounting can intern or work over the summer to receive practicum experience for their degrees, helping to coordinate the service to First Nations communities. By conducting this practical experience with the FMB, either in the SAC or Capacity Development (CD) teams, the FMB would expose them to the realities of First Nations accounting and auditing services. This exposure to working with or within First Nations as well as a better grasp of the accounting profession could potentially encourage university students to pursue a CPA designation, which in turn would help build the CPA pipeline. This aligns with the SAC team’s current role as a PATO for the CPA and could be a natural expansion to provide additional training to a broader pool of potential accountants.

The FMB would have to gain recognition from learning institutions and provide a certification of training and/or time worked for the FMB. This would also require modifications to work plans, work structures, and HR planning.

Time	Category	Sub	Corp Goal
Mid-term – up to a year	Advocacy	Policy/Procedure	2.1, 3.5, 5.1

8. Indigenous Technical Advisory Group (ITAG): The research shows that complex and contradictory accounting requirements, including excessive reporting, create significant problems for First Nations accounting staff. This also relates directly to recruitment and retention issues, as First Nations governments are unable to hire the needed technical talent to handle these complex issues. To aid with this challenge, a group of professionals knowledgeable and experienced in accounting as well as working with First Nations could review these accounting policies to devise and advocate for more reasonable practices to reflect the accounting needs in First Nations governments. This group would also provide technical support to First Nations governments in a direct and relevant way, such as guidance or interpretations.

The FMB has proposed and continues to recommend the creation of ITAG to provide essential support, interpretation, and advice to First Nations governments in Canada regarding new accounting, financial reporting, or sustainability standards. Non-Indigenous federal, provincial, territorial, and municipal public sector entities have had their own similar advisory groups for many decades. However, these self-administered non-Indigenous associations and forums are not

suitable to provide similar guidance or advocacy to and for First Nation governments, whose circumstances and challenges are unique to them.

Some progress has been made on including Indigenous input within standard setting. For instance, the Public Sector Accounting Board (PSAB) now has Indigenous representation in their leadership and other standard setting boards are striving to do the same. However, a national ITAG is needed to assist and guide First Nations governments on how to adopt and implement new standards once they are issued by standard setters and before they become effective. This period, often 24 months or longer, is a very critical period that sometimes requires significant training and project management activities to allow the reporting entity to be ready in time. At present there is a lack of any coordinated activity for this specific purpose by a trusted capacity-building organization tailored to First Nations. Establishing and setting up a new ITAG would have a significant and lasting impact on First Nations public sector accounting. It would concentrate the technical interpretation and application challenges of new standards in a way that could benefit all First Nations and drive down this cost. This would also enhance and promote the quality and timeliness of annual financial reporting.

The FMB can continue its work in standing up this group with developments of terms of reference and governance policies, reaching out to potential participants, and advocating for funding. The FMB would also be an ongoing partner in its operations with its growing experience, knowledge, and continuing work with First Nations governments.

Time	Category	Sub	Corp Goal
Mid-term – up to a year	Advocacy	Research/Policy	2.1, 3.5, 5.1

9. **Efficient Reporting:** The survey of First Nations shows that extensive reporting causes problems as it requires an allocation of resources for reporting and takes away from the day-to-day accounting and administration. With on-going staffing issues in First Nations communities, a streamlined and more efficient reporting process would provide more time for First Nations accounting staff to complete actual accounting work, leading to a quicker completion of their annual financial statements and subsequent audits.

This requires a full understanding of the reporting requirements First Nations have for each funding agreement. This information will be essential to advocate for change, so alternatives or requirement changes can be proposed. Working with government partners to streamline reporting obligations will enable First Nations to concentrate on value-added financial reporting, rather than navigating excessive compliance demands. Reducing redundant but varying requirements would have an immediate and positive impact on First Nations' administrative load – especially for smaller and/or more remote communities. Related to recommendation 3.3, a

comprehensive study on the requirements and identification of areas for reporting improvement would support advocacy aimed at reducing reporting burdens while maintaining the required transparency for First Nations communities. The analytical insight 3 supports this recommendation (refer to Appendix III, Table A5).

Long-term

Time	Category	Sub	Corp Goal
Long-term – over a year	Advocacy	Funding/Support	2.1, 1.1, 1.2, 1.3, 3.3, 5.1

10. Funding: First Nations governments require sufficient funding to operate, including the funding to support their financial and administrative teams, which has been historically insufficient or allocated to other purposes such as third-party consultants. This is supported in a report the FMB had developed based on research to determine the approximate cost of implementing and maintaining a financial management system. Having the means to hire the necessary and qualified resources would provide the capacity needed for First Nations finance teams. Sufficient funding would also allow First Nations to obtain technical resources such as accounting software and better hardware, and address connectivity issues.

Expanding multi-year funding agreements to include additional elements, such as infrastructure and capital costs, would further help to improve the overall stability of First Nations. This would also reduce the administrative burden of First Nations governments as there would be fewer reporting requirements.

Much of the research data supports this recommendation and advocacy can begin with issue papers capitalizing on this information to present substantive arguments for increases in band support funding. This would further support the CD team in their role at the New Fiscal Relationship table in improving the funding arrangements for First Nations.

The Joint Advisory Committee on Fiscal Relations (JACFR) Report (2019) had previously recommended modernizing the approach to funding First Nations governments. A draft cabinet submission was prepared to increase funding to provide adequate resources to build a strong administration at the community level. An affirmative cabinet decision, however, remains outstanding.

Time	Category	Sub	Corp Goal
Long-term – over a year	Advocacy	Funding	2.1,

11. **Expansion of 10-Year Grants:** The research shows that First Nations in 10-Year Grants have a higher completion rate of audited annual financial statements and are more likely to have them completed by the reporting deadline. . This is a clear indication that having more First Nations in this funding model would result in better overall outcomes across Canada. Shifting to multi-year funding agreements can bolster long-term financial planning, reduce administrative burden, and improve financial stability for First Nations. While Canada has not fully funded the cost of First Nations government, this model allows First Nations to allocate funds more strategically over an extended period, ultimately creating a more predictable and flexible financial environment.

This model's success is rooted in the qualification criteria which underscores the importance of sound accounting and administrative practices. It also encourages transparency with proper financial reporting to the citizens of the First Nation, fostering a stable financial environment. An additional advantage is the FMB's experience in advocating for this model and their historical work with First Nations in the process of 10-year Grant qualification.

The FMB currently has the operational capacity available to begin engaging with existing FMB clients and provide any needed support to achieve eligibility for a 10-Year Grant. However, additional resources will be needed to continue this effort with any significant growth in the FMBs client base. First Nations drive this process, so this would need to be pursued with tact and commitment to ensure that this goal is achieved and doesn't falter over time.

Time	Category	Sub	Corp Goal
Long-term – over a year	Advocacy	Policy/Procedure	2.1, 3.4

12. **New Funding Framework:** In an effort to possibly replicate the success of the 10-Year Grant model and reduce the administrative burden of excessive and complicated reporting, an alternative model is Statutory Formula Based Transfers. This is what is currently used between federal and provincial levels of government. Some First Nations may have as many as 30 or more funding agreements. By sufficiently funding First Nations through a statutory funding framework, First Nations will have the revenue required to govern, account, administer, and deliver programming in their communities. This will simultaneously reduce the administrative burden of reporting on the multiple funding agreements. This kind of streamlining and efficiency in frameworks provides a basis for better accounting outcomes, such as complete and regular financial reporting.

This recommendation requires extensive research to understand the formulation of the funding, the model of delivery and subsequent reporting to the federal government. The Strategic Opportunities (SO) team is best suited to conduct this research and evaluate its potential

effectiveness and impact to First Nations governments. The resultant data and reporting can be used to support a presentation of this model at the New Fiscal Relationship table by CD.

This recommendation has been repeated for many years by prominent initiatives, including the JACFR and the Royal Commission on Aboriginal Peoples.

Time	Category	Sub	Corp Goal
Long term – over a year	Resourcing	Marketing	2.1,

13. Indigenous CPA Development: It has been long known that First Nations government accounting and administration departments are experiencing staffing shortages, in both technical/professional knowledge but also in people willing to work in the community. This resource shortage causes delays in completing the accounting cycle; the end result is delayed audits and annual financial statement presentation. A strategy to address this shortage is for the FMB to foster the development of Indigenous CPAs, to work towards creating a “pipeline” of Indigenous CPAs.

The SAC team has been active in this process and continues to plan for future activities to promote the CPA profession. The FMB has long advocated for the CPA provincial and territorial bodies to adopt reconciliation action plans, and for these plans to include the objective of supporting the greater development of Indigenous CPAs. While the FMB has seen some CPA bodies be open to and work towards this objective, there is much work to be done. This is a long-term goal that will help to ensure the continued supply of qualified individuals able to work with First Nations.

However, this can be augmented by providing additional focus on post-secondary students working towards commerce degrees. Overall, the CPA industry is experiencing a decline in people pursuing designations, which is exacerbating the issue of shortages in licenced auditors. This suggests a need to also reach out to post-secondary Indigenous students.

This promotion can be done to support the recommendation of “CPD Completion and Practicum Experience,” where Indigenous post-secondary students can be encouraged to pursue accounting and be offered summer placement or practicum placement with the FMB. It gives an opportunity to show the work involved in First Nations communities as well as experience accounting in a real-world application. This represents an opportunity for the FMB to promote the CPA profession.

This will require continued engagement activities at events and gatherings focused on Indigenous Peoples and youth. It will also require reaching out to universities and technical colleges to make

accounting students aware of what the FMB offers in the way of employment and experience opportunities. This is a long-term strategy, as it will take time for any recruited Indigenous student to pursue and complete an accounting degree and then a CPA designation.

Time	Category	Sub	Corp Goal
Long term – over a year	Resourcing	Training	2.1, 3.5,

14. CPA Training: As a means to build resources for First Nations governments, the FMB can be a training source for CPAs. The FMB can provide exposure to accounting in these communities to aspiring CPAs as they complete their designation requirements. In combination with other recommendations, this would help develop a resource pool of qualified accountants willing to work in First Nations governments.

To become a CPA, a person must have a post-secondary degree, complete six training modules, pass the national common final exam, and complete 30 months of practical experience. The FMB has created opportunities for Indigenous CPA candidates to complete their practical experience requirement with its SAC team. This will help develop qualified and sensitized financial accounting and administration staff through exposure to the differences experienced in a First Nations community. The FMB is now a PATO for the CPA Professional Education Program in the provinces of British Columbia, Manitoba, and Ontario. As a PATO, the FMB is now training several Indigenous CPA candidates who may one day go on to serve First Nations governments throughout Canada. Expanding this program to additional provinces and territories would allow for support and integration into First Nations accounting services and further support the CPA pipeline mentioned in the previous recommendation. Further PATO expansion could explore the possibility of CPA candidates conducting their experience with the FMS Support Services team as well, pending approval by regulatory bodies.

The primary challenge in this recommendation would be additional funding for full-time-employees (FTE's) for CPA candidates and someone to oversee their daily work and provide certification and reporting to the CPA body.

Time	Category	Sub	Corp Goal
Long term – over a year	Accounting	Advocacy/Resourcing	2.1, 3.5., 5.1

15. Financial Year-End Change: Fiscal year ends dictate the timing of work needed to be done in year-end procedures, then subsequently to external work from professionals providing audit services. A particular year-end date can also impact the accounting of other associated enterprises of a

First Nation, especially if there is sharing of staff across multiple activities. In our survey of First Nations they often mentioned the time needed to prepare separate annual financial statements for their GBEs. Often the fiscal year-end of a GBE will be different than the First Nation government. They stated that this led to delays in the preparation and consolidation process of the First Nations government’s annual financial statements. To potentially help alleviate this strain, a change in fiscal year ends of either the First Nation or the GBE could provide a better timing schedule for the use and deployment of resources.

The easiest of the two would be to change the GBE year end to follow the tax year, December 31st. This would provide sufficient time for the GBE to complete all accounting and audit prior to the March 31st year end of the First Nation, where consolidation occurs. This also alleviates the time demand of accounting staff if this resource is being used across operations. This would be an audit on a shorter business year in the initial change, requiring additional cost. But it would also align better to auditor availability, as the tax season only really begins at the end of February.

The more complex option is to change the First Nations government’s fiscal year-end (i.e. to June 30th or some other date) to reduce impact of structural conflicts like tax season. Like above, this alleviates internal demand of staff and allows better timing for the consolidation process. This also aligns with the availability of auditors, as the bulk of tax work is completed. This could also encourage more firms to enter this field with the availability of staff time to engage in this work, providing the opportunity to seek billable hours during a quiet period for an accounting firm. The challenge with this option is that in the initial change over, a secondary year-end process and immediate audit will need to be completed within several months of the last one. There could also be challenges in getting audit services over such a long period of time.

Perhaps the larger challenge will be with ISC/CIRNAC, who have March 31st year ends and may discourage First Nations from deviating to a separate year-end than their own.

Time	Category	Sub	Corp Goal
Long term – over a year	Training	Marketing	2.1,

16. Financial Governance Training: The research highlighted the importance of leadership commitment to accounting and transparency as an important factor in completing the accounting function. To support leaders, training programs on First Nations governance – through accredited courses for Chief and Councils, elected representatives, candidates and potential candidates – could inform on tools that support effective decision-making in a First Nations community.

An accredited course in partnership with a university, in a similar format to the Harvard Program “*Leading People and Investing to Build Sustainable Communities*,” offered in partnership with AFOA Canada would lend credibility to the materials taught. This would also provide a boost to elected leadership who, while being experts on the community itself, may not have received training on best practices in decision-making and working with an administrative team to realize their electoral promises. There are also existing professional development materials produced by CPA Canada for not-for-profit organizations that could be adapted and tailored for First Nations leaders.

This training could include elements of accountability and transparency, discussing the importance of these to leadership and band citizens. It could also discuss how budgeting and financial reporting direct decision-making for leaders.

Partnerships with education institutions will need to be established and content developed with a simple, direct, and easily completed delivery mode. There would also need to be funding considerations, as this type of programming could potentially have high costs with the implication of having a university provide this training.

The combined experience and knowledge of the FMB would be well suited to develop content and the Indigenous Engagement, Laws, and Relations (IELR) team is well positioned to share the availability of such a program.

Additional Recommendations

These recommendations could support and contribute to efforts to have annual financial statements completed, but require clarification, direction, and research. Some do have alignment with FMB goals but still lay outside operational norms for the organization or require a specific mandate from leadership to pursue. The timing of these recommendations, as well as costs, are indeterminate until further direction is given on whether to pursue actively or engage in more research and evaluation.

Time	Category	Sub	Corp Goal
Indeterminate	Resourcing	Accounting/Marketing	2.1, 1.1

17. Accounting and Related Services Resource Development: Currently, a fragmented marketplace of consultants offers expensive specialized support in accounting, audit preparation, audit services, and financial governance to First Nations with varying degrees of qualification, experience, and training. Whereas the FMB provides free, highly qualified and specialized support and training in bookkeeping, monthly reconciliations, and financial governance to First Nations finance teams, this free catalogue of services doesn't include anything relating to audits, which is one of the issues in annual financial statement presentation.

The cause of this limitation is that CPAs providing accounting services are provincially regulated, requiring registration and licensing by the CPA regulatory body in the province where these services are being provided. With many of the staff being CPAs, this makes them subject to these regulations and constrains the FMB in which services can be provided to First Nations. However, there are some options to overcome these constraints:

- The FMB could seek to elevate its standing with CPA regulatory bodies, obtain additional licensing, and begin to provide the additional regulated accounting services, including auditing services¹⁴.
- The FMB could establish a new, separate, stand-alone Indigenous CPA firm, incorporated as a not-for-profit or co-operative, whose primary purpose would be to serve First Nations.
- The FMB could establish a network of independent CPA firms that specialize in providing accounting services to First Nations. The FMB could vet these firms to ensure that they meet a quality standard in providing accounting services to First Nations governments. The FMB could then provide these firms with a certification. This would establish a network of trusted accounting firms that can assist First Nations in meeting their accounting needs.

The primary challenge to these is the free nature of services. As it stands now the market for the FMB is fairly small; if it were to be licensed to reach a broader customer base, this would give the FMB an unfair advantage. This would trigger complaints from charging CPAs attempting to operate in this same space. Additionally, the FMB isn't in the business of endorsing products or services, nor does it sell its offerings; this goes against the mandate of voluntary and of free. These contradictory principles make these recommendations questionable in the FMB's current operating state. However, in the FMA it provides for the Governor in Council (GIC) to regulate fixed fees to be charged for services provided by the institution¹⁵. This could be explored by the FMB and the potential impact and outcomes of changing their operating model to a specific fee for service.

However, they would be highly effective in addressing the issue of late and missing annual financial statements, as the resource gap is addressed directly. This would also address the current limitation that First Nations must be scheduled under the FMA to receive existing FMB services.

This would require a significant organizational change, and the leadership of the FMB would need to decide on this and evaluate its impact to current legislative standing.

Time	Category	Sub	Corp Goal
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¹⁴ Subsection 49(e) allows the FMB to “provide review and audit services respecting First Nation financial management”

¹⁵ Government of Canada. (2005). First Nations Fiscal Management Act, S.C. 2005, c. 9. Retrieved July 8, 2025, from <https://www.laws-lois.justice.gc.ca/eng/acts/F-11.67/index.html>

Indeterminate	Training	Support	2.1, 3.2
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18. **Specialized Training:** The commissioned report by Mokwateh Consulting suggests that additional comprehensive, systemic, and long-term solutions are required. The FMB has long noted the unique nature of accounting and administration in First Nations governments due to complex and often contradictory accounting practices. Standards for First Nations are often akin to fitting a square peg in a round hole, where standards for non-First Nations don't have to address non-GAAP practices. Therefore, training programs focused on specialized accounting practices, tailored to the unique operational structures of First Nations, would ensure a more effective and relevant skills transfer.

AFOA Canada provides training and informational sessions geared toward First Nations' needs and in some provinces AFOA Canada through its chapters provides training on financial statement audit preparedness. To build on this, further partnerships with other educational institutions can be pursued to develop these specialized training programs on First Nations government accounting. Many of these institutions provide First Nations-focused educational programs in accounting and administration, and they are well positioned to work with the FMB to develop these specialized accounting programs. Leveraging, expanding, and refining existing resources and networks can help mitigate capacity challenges, while designing additional targeted programs will further strengthen the financial management skills essential to First Nations' self-governance.

An additional opportunity is that the Tulo Centre for Indigenous Economics (TULO) has asked the FMB to create content for their platform. This specialized accounting training can be delivered through their medium and create a marketing tool to promote more in-depth training programs with the larger institutions.

This requires the FMB to move away from core operations to content development, however. The FMB is well suited for this with its broad experience and highly skilled team. This would also require the allocation of additional resources.

Time	Category	Sub	Corp Goal
Indeterminate	Technical	Research/Support	2.1

19. **Accounting Software:** Modernizing First Nations' financial management processes through the adoption of cloud-based accounting systems could streamline reporting requirements, improve efficiency, and reduce operational costs. Cloud-based accounting could support First Nations who cannot retain a CPA in the community. It would be especially supportive during annual financial statements audits, where remote data access and integrated document management could reduce time required for auditor travel and, consequently, delays and cost. Cloud

accounting would likewise facilitate easier pathways for the FMS Support Services team to work with First Nations finance teams.

An alternative is to develop a First Nations-focused accounting system. Although numerous accounting software platforms exist, not all accommodate the specific reporting and compliance needs of First Nations. Raising awareness of the most suitable cloud-based options, along with providing implementation support, will be crucial for successful adoption of cloud-based systems. The leadership on this could be provided by the FMB, AFOA, or the ITAG. Additionally, economies of scale could be obtained by working with software vendors and First Nations to obtain the best prices. If an appropriate software does not respond to all the needs of First Nations, a custom software could be developed that accommodates First Nations reporting requirements. Development of a common chart of accounts can also be undertaken, one that is available for all First Nations to use, further supported by Cloud accounting. This would have further potential to create standardized formats for all financial reporting that could be transmitted electronically to ISC or other funders.

The primary constraint to this recommendation is that the FMB isn't in the business of endorsing products or services, nor does it sell them. There is also significant risk in development as the FMB is not in the business of software applications either. A possible avenue of implementation is to develop an evaluation and decision tool for First Nations to use in selecting software. It can be developed to focus on functionality and adaptability rather than a specific focus on First Nations or Indigenous communities. It can include a series of questions that should be asked and what a suitable answer should look and sound like.

This would require specific direction from leadership to expend the resources on this and to even make it widely available to First Nations. However, the FMB is well suited to provide this kind of document with its broad experience and skilled people, as well as no association or commitment to any program or retailer.

Time	Category	Sub	Corp Goal
Indeterminate	Technical	Research/Support	2.1

20. Connectivity: A stable high-speed broadband Internet connection is essential for the cloud-based solutions that are becoming a necessity in today's operating environment. The AFN report "Closing the Infrastructure Gap by 2030", (March 2023) further supports the need for connectivity in First Nation communities, especially those in remote areas. While many First Nations communities are increasingly accessing fibre optic infrastructure, connectivity remains a challenge in remote areas. Assessing available infrastructure and working with communities to address their connectivity needs would facilitate a smooth transition to cloud-based systems. A recent model in Ontario was able to bring fibre optics to small rural communities otherwise unserved, as together they could demonstrate greater cost-effectiveness for the supplier to justify the

upfront capital investment needed. This model could be adapted to focus on building cybersecurity capacity and other general IT services for First Nations. An Information Technology (IT) service centre geared towards First Nations governments could support the procurement of new fibre, satellite, and other telecom services from major carriers for regions that have yet to be served.

Like above, this falls outside the FMB’s operational model. However, a more suitable avenue is to develop an evaluation and decision guide for First Nations governments to use. With the advent of more satellite-based Internet providers, this may be a more cost-effective approach to the connectivity recommendation. There is also an opportunity to leverage Health Canada’s ongoing push to have better connectivity in remote communities to raise the importance of developing this recommendation.

Time	Category	Sub	Corp Goal
Indeterminate	Training	Resourcing	2.1, 1.3

21. Indigenous CPA Network: Establishing a national network of Indigenous and culturally competent audit practitioners is proposed to improve the auditing process within First Nations communities. Such audit practitioners would have in-depth knowledge of First Nations’ financial systems, governance structures, and cultural contexts, helping to reduce misunderstandings and delays that often arise when external auditors are unfamiliar with community-specific practices.

Developing and maintaining this pool of audit practitioners would require collaboration with professional groups such as the CPA and AFOA bodies. Identifying individuals who possess the recognized accounting designation and experience working alongside First Nations, and who are themselves Indigenous, are crucial pieces. This specialized resource would provide significant value, ensuring audits are conducted more efficiently by individuals well versed in the unique nature of First Nations audits and in a culturally appropriate manner.

This would be challenging in that the CPA profession is experiencing a decline, resulting in a limitation in availability; seeking First Nations CPAs would be an even more limited resource. This is further hampered by not knowing whether or not these Indigenous CPAs would even be willing to work within First Nations governments.

Alternatively, a training program for CPAs in general on the ‘reality of reserve life’ may be more effective. This would inform CPAs on the challenges facing First Nations people living on reserves, such as limited resources leading to housing shortages and lacking community infrastructure. This can speak to the difficulties of leadership in dealing with the federal government and the often-contradictory policies imposed on First Nations. It could also speak to the difficulties they have recruiting and retaining qualified people for accounting and administrative roles, and how all these involuntary difficulties build an environment of failure. This has been done multiple times,

but the FMB can provide it in a context that is more digestible to CPAs, using the data and research to present facts, and use FMB’s experience and knowledge to present this without relying on purely emotional responses.

This would encourage understanding to a technically based professional group and likely encourage better outcomes through a more empathetic approach by CPAs and perhaps encourage more to want to work with First Nations governments.

This would require a specific mandate from leadership as it is a highly sensitive issue, and it would be leadership to decide on whether the FMB should add this to its role.

Time	Category	Sub	Corp Goal
Indeterminate	Advocacy	Research	2.1,

22. First Nation Auditor General (FNAG): For several years now, the Assembly of First Nations (AFN), the JACFR, and other prominent groups have studied the role of a FNAG and how it could support First Nations governments. One idea, which has yet to reach consensus, suggests that a FNAG be given the mandate to provide annual financial statement audit services to interested First Nations. Discussions with the AFN and Canada would need to reach an agreement on this idea since it would be contrary to the original conclusion reached in the 2019 JACFR report¹⁶. Evaluating the implications of this option through a well-researched paper is crucial for clarifying the role of a FNAG, determining its necessity, and ultimately reaching a consensus on its mandate.

This recommendation speaks to an important function that could benefit First Nations through opinions of a not-for-profit on various First Nations programming. However, the suggestion of it providing financial statement audits represents a significant logistical challenge as well as a potential political one within First Nations governments. However, this would help alleviate the challenge of having annual audits completed with the shortage in licenced auditors This would require guidance on how to support this idea and what this role would actually do and operate as: an evaluation function, service function, or compliance / accountability function.

Time	Category	Sub	Corp Goal
Indeterminate	Advocacy	Research/Technical/Reporting	2.1,

¹⁶Joint Advisory Committee on Fiscal Relations. (2019). Honouring our ancestors by trailblazing a path to the future: Interim report of the Joint Advisory Committee on Fiscal Relations – for engagement purposes (Recommendation 21). Indigenous Services Canada & Assembly of First Nations. Retrieved July 8, 2025, from <https://www.sac-isc.gc.ca>

23. **Enhanced Disclosure Standards for GBEs:** In some First Nations, citizens are provided with financial information about each GBE that is controlled by the First Nations government, while in others, there is a lack of transparency. As such, First Nations governments inform their citizens in varying ways – or not at all – of key performance measures of their business enterprises (e.g., revenue, profit margins, net income (loss), net investment, return on investment). Different GBE structures and activities imply different ways of conducting their reporting, in accordance with their respective accounting standards. This can cause confusion for lower-capacity First Nations government finance teams, especially when preparing for the First Nations government’s annual financial statement audit. Having a voluntary enhanced disclosure, reporting standards, or guidelines in place for the GBEs would set reasonable expectations for all parties and help to streamline the process, allowing the First Nation to meet its transparency objectives with citizens.

This recommendation requires further discussion and guidance because of the broad accounting impacts it could have to First Nations.

Next Steps and Responsibilities Going Forward

The FMB has engaged in several of these recommendations already in one capacity or another; they need a more concerted effort with a meaningful measurement of success. They require leveraging the strengths of the FMB, the people with experience and knowledge, as well as the positive relationships built over time. The FMB will need to take advantage of opportunities such as being asked to develop training content or alignment of goals with other organizations such as Health Canada. The main support needed is the mandate and direction from the Board and leadership, as many of these recommendations require a re-focus of resources and an expansion of existing operational capacity and mandates.

The FMB will take the lead on this issue and engage its capabilities and resources in helping First Nations governments complete their accounting for audit and subsequent annual financial statement presentation. As the FMB takes on this responsibility, other partner organizations also have a responsibility to address this issue and take up tasks that impact outcomes.

Indigenous Services Canada/Crown-Indigenous Relations and Northern Affairs Canada/CMHC

These departments have responsibility to examine internal processes that lead to the complex and contradictory operating environment First Nation governments find themselves in. They need to find better ways to extract data from First Nations governments for statistical and qualitative reporting, as well as better methods of funding delivery.

Chartered Professional Accountants

With CPA members often serving in policy and standard setter roles, the profession needs to recognize the unique accounting and reporting environment on First Nations reserves. Instead of trying to force a fit of this environment into existing standards and policies, they need to adapt them to fit the environment. This is not a new idea for the profession; they have done it for other industries. They now need to do it for First Nations.

AFOA Canada

AFOA Canada and its provincial chapters have done a lot of work training First Nations people seeking financial knowledge to work in First Nations communities, but further preparation is needed to fill the technical accounting resource gap being experienced by many First Nations. AFOA Canada could be the lead in developing partnerships and curriculum with other educational bodies to meet this need and work towards closing this gap.

First Nations Government Leadership: Chief and Council

The research shows the most significant impact to a First Nation's accounting and administration is the leadership. Their commitment to transparency and accountability drives the core administrative body to strive for better results, such as completing accounting processes in accordance with GAAP, audits completed, and subsequent annual financial statement presentation. This is a clear indicator that leadership has a responsibility to continue to work for what is best for their communities and sound financial practices is a significant part of this.

Conclusion

During the COVID pandemic there was an expected decline in the availability of First Nations audited annual financial statements. But after restrictions were lifted, and despite efforts to correct this, the problem continued. To understand the issue, a comprehensive research project was initiated by the FMB involving a full analysis of data collected by the DAT, and surveys of First Nations accounting and administration staff as well as CPAs providing services to First Nations governments. Through this research a series of recommendations were developed with a focus on addressing the myriad and diverse issues identified in the project. They take a short-term, mid-term, and long-term strategic approach to providing support, advocacy, and resource development. The implementation plan is in *Appendix VIII*.

The FMB recognizes that timely, accurate, and transparent audited annual financial statements are indispensable to strong financial governance and community trust between a First Nations government and its community. Building on the recommendations presented, the FMB will focus on implementing concrete measures to streamline reporting requirements, increase administrative capacity, build institutions, and drive policy advocacy.

By pursuing these initiatives, the FMB will continue to support the strengthening of financial management capabilities in First Nations communities and advance meaningful change that results in timely financial reporting. Together with its partners and through ongoing research, strategic collaboration, institution-building, and evidence-based advocacy, the FMB will continue to support effective fiscal governance for First Nations.

Appendix I: Chronology and Background

Below is a chronology of the work and partnerships related to delayed First Nations government audited annual financial statements:

- 2018 April** — MOU signed between the FMB and FNFA
- └ Purpose of reviewing debenture participants
 - └ Report twice annually on financial performance and which participants didn't provide annual financial statements
- 2020 December** — Began reporting to FMB Board committee SAC, and ISC on 10-Yr Grant participants
- └ Report on financial performance roll-forward results
 - └ Report twice annually on financial performance and which participants didn't provide annual financial statements
- 2021 March** — The FMB authorizes the launch of FMS Support Services Program
- 2021 March** — The FMB began the process of becoming a Pre-Approved Training Office in multiple provincial CPA jurisdictions
- └ Purpose to remedy under-representation of Indigenous people in the CPA profession
 - └ Currently: a PATO in B.C., Man., and Ont.
- 2023 January** — The FMB engages with the CPA profession and other standard setters
- └ Purpose is to address the marginalization of Indigenous people through colonialism and to advocate for changes
 - └ The FMB now has representation on multiple standard setting bodies including a role as advisor to the CEO of CPA Canada
- 2023 February** — The FMB includes in the annual corporate plan to conduct research into the issue of First Nations annual financial statements
- └ Purpose is to address causes of qualified opinions, late submissions and missing annual financial statements

- 2023 March — Recommendation to pursue research on First Nations annual financial statements taken to the SAC Committee

- 2023 July — A research approach is developed along with a series of questions for a survey of First Nations financial and accounting department staff

- 2023 August — DAT completes research paper on delayed and missing First Nations annual financial statements using data gathered and compiled in the Statistical Initiative.

- 2023 September — The FMB and the FNFA conduct a mock intervention to evaluate the process
 - └─ The FNFA shares concerns of investors and rating agencies on the issue of delayed annual financial statements of borrowers, threatening debenture renewal

- 2023 October — The FMB and the FNFA reach out to borrowers to check in on status of annual financial statements and offer support to complete process to have them presented

- 2024 February — The FMB and the FNFA create a task force to address the issue of late and missing annual financial statements

- 2024 March — The FMB presents at AFOA National Conference
 - └─ Purpose to present importance of audited annual financial statements and sharing the survey questions developed
 - └─ Receive 45 responses from participants

- 2024 May — A broader, more comprehensive survey of First Nations governments across Canada is proposed and approved
 - └─ Project plan includes hiring a third party to analyze survey findings and present recommendations

- 2024 June - August — The survey is launched; the FMB will reach out all 579 First Nations under the Indian Act
 - └─ 123 responses were received

- 2024 August — Mokwetah Consulting group is awarded contract to analyze data and provide a report on findings and recommendations

- 2024 November — The FMB delivers a session on annual financial statement delays at FNLTW 7

- 2024 **December** — Mokwetah completes report and it is presented to the SPI Committee
 - └─ It is decided that additional research of CPAs will be beneficial to further enhance the research and support recommendations in Mokwetah report
 - └─ It is also decided that the FMB create a Lead Report to present broader more focused recommendations

- 2025 **January** — CPA survey plan is developed and implemented
 - └─ Purpose to survey CPAs providing services to First Nations governments to gain insights, observations, and recommendations
 - └─ Will partner with CPA governing bodies, and hire Leger Consulting to conduct survey

- 2025 **January** — Lawrence Schembri is contracted to provide report on the CPA survey result, with recommendations

- 2025 **February - March** — Survey is designed and approved. Will have online survey in partnership with CPA bodies, and in-person survey of specific CPAs
 - └─ Begin reaching out to CPA bodies to ask for their help
 - └─ Get cooperation from CPA bodies in B.C., Alta., Sask., and N.B.. Also get eight CPA' audit practitioners to participate

- 2025 **April** — Survey is started with in-person interviews of CPA audit practitioners
 - └─ Online survey is shared with CPA bodies for feedback and testing

- 2025 **May** — Online survey is launched with participating CPA bodies
 - └─ After some technical issues, the survey was successfully distributed
 - └─ 28 responses were received from the online survey
8 in-person interviews were completed

- 2025 **June** — Survey is wrapped up and Leger completes report
Data shared with L. Schembri
 - └─ Report from L. Schembri won't be ready for Lead Report

Appendix II: Quantitative Analysis and Data-Driven Proposals

Introduction

There is a desire to understand why there has been a decrease in timely financial reporting from First Nations governments, particularly in the completion and issuance of these governments' audited annual financial statements. Concerns have been raised regarding this non-compliance with the 120-day deadline as per the Nation's FAL, FAB, or relevant legislation.

This appendix provides a rigorous quantitative analysis on these topics, which is complementary to the insights obtained from First Nations and auditor outreach. This appendix utilizes the Government Statistics Database of FMB's Statistical Initiative and presents the findings from the quantitative analysis to identify factors that are associated with the availability and timeliness of First Nations' audited annual financial statements for the years 2022 and 2023. We now consider the research questions that are to be considered.

Research Question

The research question is:

1. What factors are associated with First Nations governments not submitting, or submitting late, their 2022 and 2023 audited annual financial statements to ISC? Potential factors evaluated include:
 - a. Financial factors
 - b. Geographic factors
 - c. Demographic factors
 - d. Progress and engagement with the FMA institutions (e.g., FMSC, FAL, or maintaining a 10-Year Grant)
 - e. Audit report qualifications
 - f. Other relevant factors uncovered during the research process

Research Approach

The analysis will consider a variety of analysis techniques, including: descriptive statistics, comparison of averages (means), and regression analysis. The regression analysis will include both linear regression and logistic regression. Four distinct regression models will be employed, which include:

- Regression 1 (logistic regression): will evaluate factors associated with whether or not a First Nation's annual financial statements have been submitted to ISC and are publicly available for the year 2022. This regression will use a public availability (or not) variable of each First Nation's annual financial statement as the dependent variable.
- Regression 2 (logistic regression): similar to regression 1 but for the year 2023.
- Regression 3 (linear regression): will be used to evaluate factors associated with late submissions of annual financial statements for the year 2022. This regression will use the number of days late as the dependent variable. This will be calculated as the difference between the audit report date and July 29, 2022.

- Regression 4 (linear regression): similar to regression 3 but for the year 2023, while using the deadline date of July 29, 2023.

Population Definition

It is necessary to clearly identify the research population that will be considered. The population evaluated in these regression models are First Nations governments in Canada that maintain a population of at least 50 citizens within the First Nation’s reserve or settlement lands during the year of 2021. All First Nations meeting this definition will be evaluated in the 2022 and 2023 logistic regression models (the first and second regression models noted in previous section).

The reason for evaluating only First Nations with a population of at least 50 is due to the fact that Census and ISC registry data rely on adequate responses from community citizens. Communities with very small populations are more prone to data quality issues. This population definition allows for access to quality Nation-level datasets that can be used for analytical purposes in this study.

The population for the 2022 and 2023 linear regression models (the third and fourth regression from the previous section) are further scoped down to include only First Nations governments that have submitted their 2022 and 2023 audited annual financial statements, respectively. This will enable the models to focus solely on factors associated with lateness, as opposed to statements not being available. The total number of First Nations governments evaluated for the 2022 days late linear regression is 345, and 293 for the 2023 days late linear regression. As the two linear regressions utilize distinct populations (345 vs 293 First Nations), caution should be used in making direct comparisons between the two fiscal years.

Public and FMA Data Sources

Datasets used in this study will come from both public and internal FMB gathered sources. Table 1 provides a summary of the key datasets to be used in this study.

Table A1: Datasets to Be Utilized in the Study

Data Source	Dataset	Metrics
Statistics Canada (2022)	2021 Canadian Census	<ul style="list-style-type: none"> • Formal education levels, as measured by the education index
ISC (2021A)	First Nations government geographic data	<ul style="list-style-type: none"> • Province or region • Degree of geographic remoteness

ISC (2021A)	Publicly posted First Nations government annual financial statements for the years 2022 and 2023 – available on ISC’s website. FMB staff digitized these annual financial statements, which allows for analysis.	<ul style="list-style-type: none"> • Earned and Other Revenue Ratio (2022 & 2023) • Date of the audit report date of the annual financial statements • Availability of the audited annual financial statements
ISC (2022)	On-reserve population of each First Nations community	<ul style="list-style-type: none"> • Figure used to identify the population used in this study
FMB internal datasets	Relevant internal datasets held by FMB	<ul style="list-style-type: none"> • Whether a First Nation has the following, as of March 31, 2022 and 2023 <ul style="list-style-type: none"> ○ FAL ○ FMSC ○ 10-Year Grant

Logistic Regressions – Availability of Annual Financial Statements

Logistic regression analysis will be conducted to identify factors that maintain a statistically significant association with the likelihood of a First Nations government not having their audited annual financial statements publicly available. Each First Nations government will be identified as either having their annual financial statements as being publicly available, or not, for the years 2022 and 2023. Distinct logistic regression models will be prepared for the years 2022 and 2023. This status of the annual financial statements will be used as the dependent variable in the logistic regressions. This status can be encoded as a binary variable (0 indicating not publicly available and 1 indicating publicly available).

Several independent variables will be employed in this model, many of which are taken from the metrics identified in Table A1. This will allow us to determine if these factors are associated with a First Nation’s likelihood of the annual financial statements’ availability for the years 2022 and 2023. Table A2 presents the logistic regression models. Table A3 outlines the independent variables that may be used in this regression model.

Table A2: Logistic Regression Models

Regression	Dependent Variable	Regression Model
Regression #1	Logistic regression evaluating factors associated with the public availability of First Nations' 2022 audited annual financial statements	$\text{logit} \left(\frac{P(Y_{i,2022} = 1)}{1 - P(Y_{i,2022} = 1)} \right) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \beta_{12} X_{12} + \beta_{13} X_{13} + \beta_{14} X_{14} + \beta_{15} X_{15} + \beta_{16} X_{16} + \beta_{17} X_{17} + \beta_{20} X_{20}$
Regression #2	Logistic regression evaluating factors associated with the public availability of First Nations' 2023 audited annual financial statements	$\text{logit} \left(\frac{P(Y_{i,2023} = 1)}{1 - P(Y_{i,2023} = 1)} \right) = \beta_0 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \beta_{12} X_{12} + \beta_{13} X_{13} + \beta_{14} X_{14} + \beta_{15} X_{15} + \beta_{18} X_{18} + \beta_{19} X_{19} + \beta_{20} X_{20}$

Table A3: Description of Independent Variables

Variable Category	Variable Name	Description of the Variable
Engagement with FMA	Maintains a FAL, 2022 (X ₁)	If First Nation has a FAL then 1; otherwise 0 (as of March 31, 2022)
	Maintains a 10-Year Grant, 2022 (X ₂)	If First Nation has a 10YR Grant then 1; otherwise 0 (as of March 31, 2022)
	Maintains FMSC, 2022 (X ₃)	If First Nation has an FMSC then 1; otherwise 0 (as of March 31, 2022)
	Maintains a FAL, 2023 (X ₄)	If First Nation has a FAL then 1; otherwise 0 (as of March 31, 2023)
	Maintains a 10-Year Grant, 2023 (X ₅)	If First Nation has a 10YR Grant then 1; otherwise 0 (as of March 31, 2023)
	Maintains FMSC, 2023 (X ₆)	If First Nation has an FMSC then 1; otherwise 0 (as of March 31, 2023)
Geographic remoteness	Geographically medium differential (X ₇)	If First Nations community is geographically medium then 1; otherwise 0 ¹ (default is geographically close)
	Geographically remote differential (X ₈)	If First Nations community is geographically remote then 1; otherwise 0 ¹ (default is geographically close)
Province/Region	Alberta (X ₉)	If First Nations community is in the province of Alberta, then 1; otherwise 0 (default is BC)
	Saskatchewan (X ₁₀)	If First Nations community is in the province of Saskatchewan, then 1; otherwise 0 (default is BC)
	Manitoba (X ₁₁)	If First Nations community is in the province of Manitoba, then 1; otherwise 0 (default is BC)
	Ontario (X ₁₂)	If First Nations community is in the province of Ontario, then 1; otherwise 0 (default is BC)
	Quebec (X ₁₃)	If First Nations community is in the province of Quebec, then 1; otherwise 0 (default is BC)
	Atlantic provinces (X ₁₄)	If First Nations community is in the Atlantic provinces, then 1; otherwise 0 (default is BC)
	Territories (X ₁₅)	If First Nations community is in the territories, then 1; otherwise 0 (default is BC)
Financial	Earned & Other Revenue Ratio, 2022 (X ₁₆)	Measure of the First Nations government's 2022 Earned & Other Revenue divided by total revenue (refer to Appendix III)

	Audit report qualification, 2022 (X ₁₇)	If First Nation's 2022 audited annual financial statement maintains an audit report qualification, then 1; otherwise 0
	Earned & Other Revenue Ratio, 2023 (X ₁₈)	Measure of the First Nations government's 2023 Earned & Other Revenue divided by total revenue (refer to Appendix III)
	Audit report qualification, 2023 (X ₁₉)	If First Nation's 2023 audited annual financial statement maintains an audit report qualification, then 1; otherwise 0
Demographic	Education Index (X ₂₀)	Measure of 2021 formal education (refer to Supplement III)

Notes:

1. ISC identifies the level of geographic remoteness for each First Nations community from zones 1-4. Refer to Supplement II for detailed definitions of these zones, and the geographic definitions used in this study.

Linear Regressions – Timeliness of Annual Financial Statements

Two linear regression models will be evaluated to identify factors that are associated with First Nations' 2022 and 2023 annual financial statements being submitted late. The dependent variable will be the number of days that a given set of annual financial statements is late. Lateness will be measured as the difference between the audit report date (as indicated on the auditor's report) and July 29, 2022 or July 29, 2023, respectively.

The population for the linear regression models is described earlier in the "Population Definition" section. To recap, only First Nations that have submitted annual financial statements for the respective years of 2022 and 2023 will be evaluated. The population was also limited to only include First Nations that have all of the independent variables noted for the respective regression models from Table A4. The total number of First Nations governments evaluated for the 2022 days late linear regression is 345, and 293 for the 2023 days late linear regression. The reason is that the days late cannot be calculated for First Nations that have not yet submitted statements. Many of the same independent variables used in the logistic regressions will be utilized for the linear regression. Refer to Table A3 for a listing of these independent variables. Table A4 presents the linear regression models.

Table A4: Linear Regression Models

Regression	Dependent Variable	Regression Model
Regression #3	2022 Annual Financial Statement Days Late Regression Model	$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_7X_7 + \beta_8X_8 + \beta_9X_9 + \beta_{10}X_{10} + \beta_{11}X_{11} + \beta_{12}X_{12} + \beta_{13}X_{13} + \beta_{14}X_{14} + \beta_{15}X_{15} + \beta_{16}X_{16} + \beta_{17}X_{17} + \beta_{20}X_{20} + E$
Regression #4	2023 Annual Financial Statement Days Late Regression Model	$Y = \beta_0 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + \beta_9X_9 + \beta_{10}X_{10} + \beta_{11}X_{11} + \beta_{12}X_{12} + \beta_{13}X_{13} + \beta_{14}X_{14} + \beta_{15}X_{15} + \beta_{18}X_{18} + \beta_{19}X_{19} + \beta_{20}X_{20} + E$

Regression Results: Factors Associated with Annual Financial Statements' Availability

2022 Annual Financial Statement Availability

We now consider factors that are associated with whether First Nations governments have their 2022 annual audited financial statements publicly available in Figure A3. The pseudo R-squared value of this logistic regression is 0.12.

The logistic regression shows that First Nations that maintain an FMSC, as of 2022, have a statistically significant higher occurrence of having their 2022 audited annual financial statements publicly available ($p < 0.10$). It's worth noting that the coefficient for FMSC is the most significant factor that is positively associated with a First Nation having their 2022 audited annual financial statements available. This regression also demonstrates that First Nations with a FAL or 10-year Grant, as of 2022, also have a statistically significant higher chance (both at $p < 0.05$) of having their 2022 audited annual financial statements available.

Now we consider geographic factors. First Nations that are geographically remote have a lower occurrence of having their statements publicly available ($p < 0.05$). This geographic remoteness factor appears to be a notable factor associated with the unavailability of the 2022 audited annual financial statements. When considering province and regions in Canada, First Nations in the province of Alberta have a significantly lower occurrence of having their annual financial statements available ($p < 0.01$). The territories also have a higher occurrence of availability ($p < 0.01$), as do First Nations in Manitoba ($p < 0.10$). These provincial comparisons demonstrate a statistically significant difference in comparison with Nations in British Columbia.

To summarize, the following are the factors that maintain a statistically significant association with the occurrence of First Nations submitting, or not submitting, their 2022 audited annual financial statements:

- Higher occurrence of submission:
 - Maintains an FMSC
 - Maintains a 10-Year Grant
 - Maintains a FAL

- Lower occurrence of submission:
 - Being geographically remote
 - Being located in the provinces of Alberta, Manitoba, or in the Territories (in comparison to Nations in British Columbia)

Figure A1: Logistic Regression of 2022 First Nations Government Annual Financial Statements' Availability

Logistic regression

Number of obs = 597
 LR chi2(12) = 92.66
 Prob > chi2 = 0.0000
 Pseudo R2 = 0.1188

Log likelihood = -343.80477

	Coefficient	Std. err.	z	P> z	[95% conf. interval]	
_2022FSAvailable						
_2022FAL	.4904088	.2310678	2.12	0.034	.0375243	.9432933
_202210YG	.7267311	.3593059	2.02	0.043	.0225045	1.430958
_2022FMSC	1.208891	.6447632	1.87	0.061	-.054822	2.472603
Code_Geographically_Medium	-.3485635	.229236	-1.52	0.128	-.7978578	.1007308
Code_Geographically_Remote	-.6004041	.2691972	-2.23	0.026	-1.128021	-.0727872
Code_Alberta	-.9770965	.3588084	-2.72	0.006	-1.680348	-.273845
Code_Saskatchewan	.0141312	.3353129	0.04	0.966	-.6430701	.6713324
Code_Manitoba	-.6089946	.3249922	-1.87	0.061	-1.245968	.0279785
Code_Ontario	-.3347389	.2630548	-1.27	0.203	-.8503169	.180839
Code_Quebec	.2945612	.422955	0.70	0.486	-.5344154	1.123538
Code_Atlantic	.2425295	.5039199	0.48	0.630	-.7451354	1.230194
Code_Territory	-1.65225	.4171594	-3.96	0.000	-2.469867	-.8346322
_cons	.867566	.2518974	3.44	0.001	.3738562	1.361276

2023 Annual Financial Statement Availability

We now turn our attention to the factors that are associated with whether First Nations governments have their 2023 audited annual financial statements publicly available in Figure A4. Note that the pseudo R-squared value for this logistic regression is 0.17.

The 2023 logistic regression demonstrates that the FMA-related factors have a statistically significant association with a First Nation having their 2023 annual financial statements publicly available. Having an FMSC is positively associated with having the statements available ($p < 0.05$) – and is the most significant factor with a positive association of annual financial statement availability. Having a 10-Year Grant and a FAL also maintain statistically significant associations with greater availability (both at the $p < 0.05$ level).

The degree of geographic remoteness maintains a statistically significant association with the availability of 2023 annual financial statements – both for First Nations that are geographically medium and remote (both at the $p < 0.01$ level). We also observe regional differences. First Nations from Alberta ($p < 0.01$) and the Territories ($p < 0.01$) have a lower likelihood of having their annual financial statements available.

To summarize, the following are the factors that maintain a statistically significant association with the occurrence of First Nations submitting, or not submitting, their 2023 annual audited annual financial statements:

- Higher occurrence of submission:
 - Maintains an FMSC
 - Maintains a 10-Year Grant

- Maintains a FAL
- Lower occurrence of submission:
 - Being geographically medium or remote
 - Being located in Alberta or the Territories

Figure A2: Logistic Regression of 2023 First Nations Government Annual Financial Statements' Availability

Logistic regression
 Number of obs = 597
 LR chi2(12) = 135.45
 Prob > chi2 = 0.0000
 Pseudo R2 = 0.1650
 Log likelihood = -342.75441

_2023FSAvailable	Coefficient	Std. err.	z	P> z	[95% conf. interval]	
_2023FAL	.5656777	.2216228	2.55	0.011	.131305	1.00005
_202310YG	.7030396	.3212998	2.19	0.029	.0733035	1.332776
_2023FMSC	1.415456	.5699744	2.48	0.013	.2983269	2.532586
Code_Geographically_Medium	-.6304435	.2280553	-2.76	0.006	-1.077424	-.1834633
Code_Geographically_Remote	-.7456769	.2731795	-2.73	0.006	-1.281099	-.2102548
Code_Alberta	-1.160223	.3830455	-3.03	0.002	-1.910978	-.4094675
Code_Saskatchewan	.1840719	.3210331	0.57	0.566	-.4451414	.8132852
Code_Manitoba	-.2316727	.3216598	-0.72	0.471	-.8621144	.398769
Code_Ontario	-.2987954	.2588894	-1.15	0.248	-.8062093	.2086186
Code_Quebec	.6400661	.4141684	1.55	0.122	-.1716891	1.451821
Code_Atlantic	.7393668	.5055284	1.46	0.144	-.2514506	1.730184
Code_Territory	-1.978327	.5194394	-3.81	0.000	-2.996409	-.9602445
_cons	.4534467	.2525003	1.80	0.073	-.0414448	.9483383

Regression Results: Factors Associated with Timeliness of Annual Financial Statements

Timeliness of 2022 Annual Financial Statements

We now evaluate the results from regression #3 in Figure A5, which considers factors that are associated with the degree of lateness for 2022 audited annual financial statements. Days late is calculated by taking the days difference between the date of the audit report date and July 29, 2022. Recall that only First Nations who submitted their 2022 annual financial statements are considered in this analysis. The R-squared value of this linear regression is 0.19. The mean variance inflation factor for this regression model is 1.34, which demonstrates that there is no problematic collinearity among the independent variables.

First Nations that maintain an FMSC maintain a statistically significant more timely submission of their annual financial statements – on average by 58 days ($p < 0.01$). Maintaining a FAL or a 10-Year Grant does not maintain a statistically significant association with days late. We also observe more timely annual

financial statements when the First Nations community's citizens maintain a higher level of formal education ($p < 0.05$).

When a qualification is present in the annual financial statements audit report, an average delay of 69 days is observed ($p < 0.01$). When evaluating province or region, we observe statistically significant delays from First Nations in the provinces of Saskatchewan ($p < 0.05$), Manitoba ($p < 0.01$), Ontario ($p < 0.01$), and the Atlantic provinces ($p < 0.05$) (as compared to the province of British Columbia).

To summarize, we observe less delayed statements when First Nations maintain an FMSC and when there is a higher level of formal education in the First Nations community. On the contrary, we observe more delayed statements when an audit report qualification is present, and when the Nation is located in the following provinces: Saskatchewan, Manitoba, Ontario, and the Atlantic region. Geographic remoteness does not have a statistically significant association with days late.

Figure A3: Linear Regression of 2022 First Nations Government Annual Financial Statement – Days Delayed

Linear regression	Number of obs	=	345
	F(15, 329)	=	6.96
	Prob > F	=	0.0000
	R-squared	=	0.1949
	Root MSE	=	154.53

_2022DaysLate	Robust HC3					
	Coefficient	std. err.	t	P> t	[95% conf. interval]	
_2022FAL	-5.36033	20.79382	-0.26	0.797	-46.26594	35.54528
_202210YG	-20.30957	21.42815	-0.95	0.344	-62.46304	21.8439
_2022FMSC	-57.9602	21.06372	-2.75	0.006	-99.39677	-16.52363
Code_Geographically_Medium	-3.14412	20.85562	-0.15	0.880	-44.1713	37.88306
Code_Geographically_Remote	5.059016	31.16257	0.16	0.871	-56.24401	66.36204
Code_Alberta	-36.71125	35.80919	-1.03	0.306	-107.1551	33.73261
Code_Saskatchewan	70.37588	29.35875	2.40	0.017	12.62133	128.1304
Code_Manitoba	111.1898	37.49269	2.97	0.003	37.4342	184.9455
Code_Ontario	88.73384	27.23561	3.26	0.001	35.15594	142.3117
Code_Quebec	-10.3854	32.67129	-0.32	0.751	-74.65638	53.88557
Code_Atlantic	77.1324	31.66733	2.44	0.015	14.83642	139.4284
Code_Territory	-153.0612	85.51317	-1.79	0.074	-321.2828	15.16034
_2022EarnedRevenueRatio	-37.61083	42.01831	-0.90	0.371	-120.2693	45.04761
_2022Qualification	68.79574	20.63233	3.33	0.001	28.20781	109.3837
_2021EducationIndex	-1.732533	.7214284	-2.40	0.017	-3.151727	-.3133383
_cons	220.6924	53.96032	4.09	0.000	114.5416	326.8432

Timeliness of 2023 Annual Financial Statements

We now consider the results from regression #4 in Figure A6, which evaluates lateness for the 2023 audited annual financial statements. Days late is calculated by taking the days difference between the

date of the audit report date and July 29, 2023. Only First Nations who submitted their 2023 annual financial statements are considered in this analysis. The R-squared value of this linear regression is 0.21. The mean variance inflation factor for this regression model is 1.41, which shows that there is no problematic collinearity among the independent variables.

First Nations that maintain an FMSC maintain a statistically significant more timely submission of their annual financial statements – on average by 48 days ($p < 0.05$). Similar to 2022, maintaining a FAL or a 10-Year Grant does not maintain a statistically significant association with days late. We also observe more timely annual financial statements when the First Nations community citizens maintain a higher level of formal education ($p < 0.01$).

When a qualification is present in the annual financial statements audit report, an average delay of 41 days is observed ($p < 0.05$). When evaluating province or region, we observe statistically significant delays from First Nations in the provinces of Manitoba ($p < 0.01$) and Ontario ($p < 0.01$) (as compared to British Columbia). We also observe more timely annual financial statements from First Nations in the province of Alberta ($p < 0.01$) (as compared to BC). Geographic remoteness does not maintain a statistically significant difference.

To summarize, we observe less delayed statements when First Nations maintain an FMSC and when there is a higher level of formal education in the First Nations community. On the contrary, we observe more delayed statements when an audit report qualification is present, and when the Nation is located in the provinces of Manitoba and Ontario.

Figure A4: Linear Regression of 2022 First Nations Government Annual Financial Statement – Days Delayed

Linear regression	Number of obs	=	293
	F(14, 278)	=	8.19
	Prob > F	=	0.0000
	R-squared	=	0.2119
	Root MSE	=	127.5

_2023DaysLate	Robust HC3		t	P> t	[95% conf. interval]	
	Coefficient	std. err.				
_2023FAL	-17.62714	19.99379	-0.88	0.379	-56.9856	21.73132
_202310YG	-21.06095	19.96815	-1.05	0.292	-60.36892	18.24702
_2023FMSC	-48.06549	20.26116	-2.37	0.018	-87.95026	-8.180713
Code_Geographically_Medium	-10.22883	18.05176	-0.57	0.571	-45.76434	25.30667
Code_Geographically_Remote	-.4578457	29.43439	-0.02	0.988	-58.40044	57.48475
Code_Alberta	-95.84014	26.60844	-3.60	0.000	-148.2198	-43.46051
Code_Saskatchewan	46.65177	28.29089	1.65	0.100	-9.039811	102.3433
Code_Manitoba	83.86293	28.53527	2.94	0.004	27.69028	140.0356
Code_Ontario	78.34405	25.13514	3.12	0.002	28.86468	127.8234
Code_Quebec	-.824828	41.55889	-0.02	0.984	-82.63491	80.98525
Code_Atlantic	33.22544	29.63352	1.12	0.263	-25.10914	91.56002
Code_Territory	0 (omitted)					
_2023EarnedRevenueRatio	49.13797	41.73029	1.18	0.240	-33.00952	131.2855
_2023Qualification	41.39646	18.90295	2.19	0.029	4.185363	78.60756
_2021EducationIndex	-1.835875	.6667266	-2.75	0.006	-3.148349	-.5234006
_cons	206.3856	47.86961	4.31	0.000	112.1526	300.6185

Analysis and Data Driven Proposals

We now evaluate the key findings and takeaways from this study. We focus in on the key trends identified in the following areas: 1) progress with FMB, 2) effect of audit report qualifications, 3) provincial or regional trends, and 4) other.

When we evaluate the figures in this section, it is important to corroborate these findings with the logistic and linear regression results from the previous section. As the regression models maintain a heightened level of robustness – it is important to corroborate findings in this section’s figures with the regression findings. This method will provide the most robust evidence, which can in turn be used to draw meaningful conclusions.

Progress with the FMB

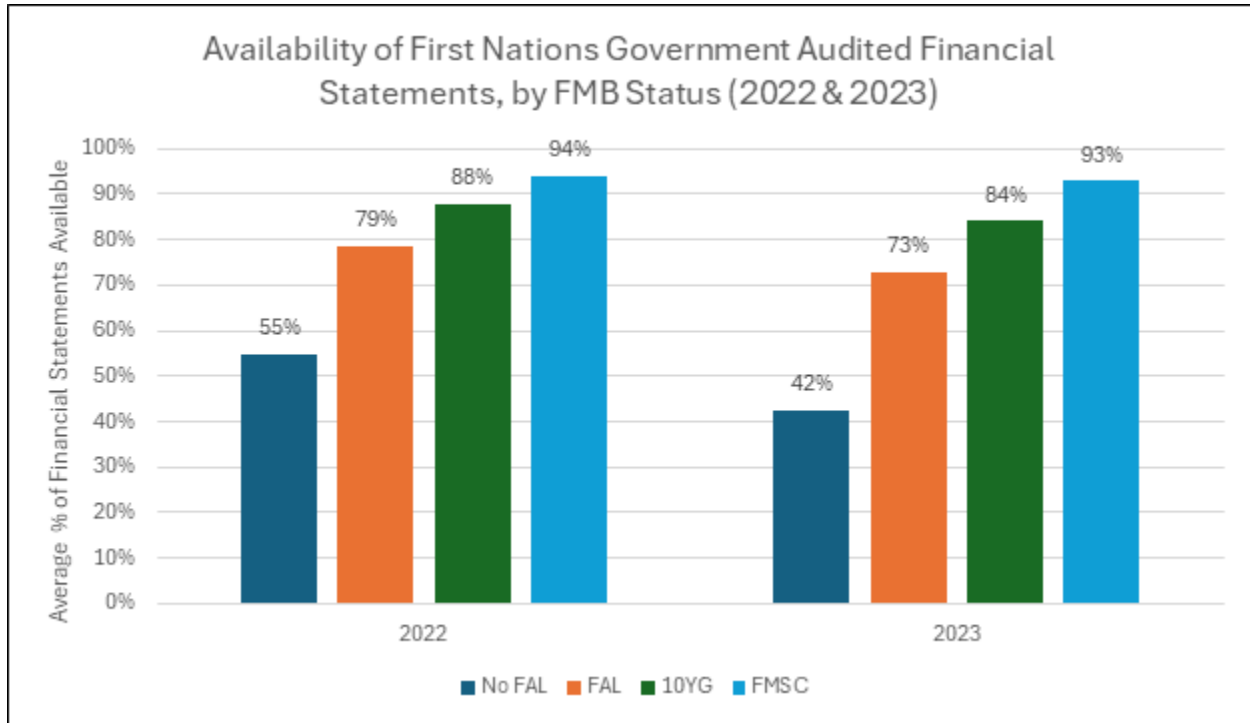
Annual Financial Statement Availability

Figure A5 presents the availability of First Nations government annual financial statements from 2022 and 2023 – by progress with FMB. We see a clear pattern: with greater progress with FMB, First Nations maintain a greater availability of their annual financial statements. Substantial increases are observed with greater progress with FMB in the annual financial statements availability for both 2022 and 2023.

For the fiscal year 2023, First Nations without FALs saw an annual financial statement availability of 42% (2022 – 55%), which increased to 73% (2022 – 79%) for Nations with a FAL. This figure increases with greater FMB progress as follows: 10 Year Grant at 84% (2022 – 88%), and FMSC at 93% (2022 – 94%).

These findings are corroborated by the logistic regressions from the previous sections (Figures A3 & A4). To refresh, it was found that First Nations that have a FAL, 10-Year Grant, or FMSC have higher availability of financials for both 2022 and 2023. This provides strong evidence that advanced progress with the FMB is associated with a statistically significant increase in the availability of First Nations government audited annual financial statements. This demonstrates the value that First Nations governments realize when working with FMB – as well as the commitment of these First Nations governments to advancing their financial management systems, accountability, and transparency.

Figure A5: Percentage of First Nations Government Annual Financial Statements Publicly Available (2022 & 2023) - by Progress with FMB (2022 & 2023 respectively)



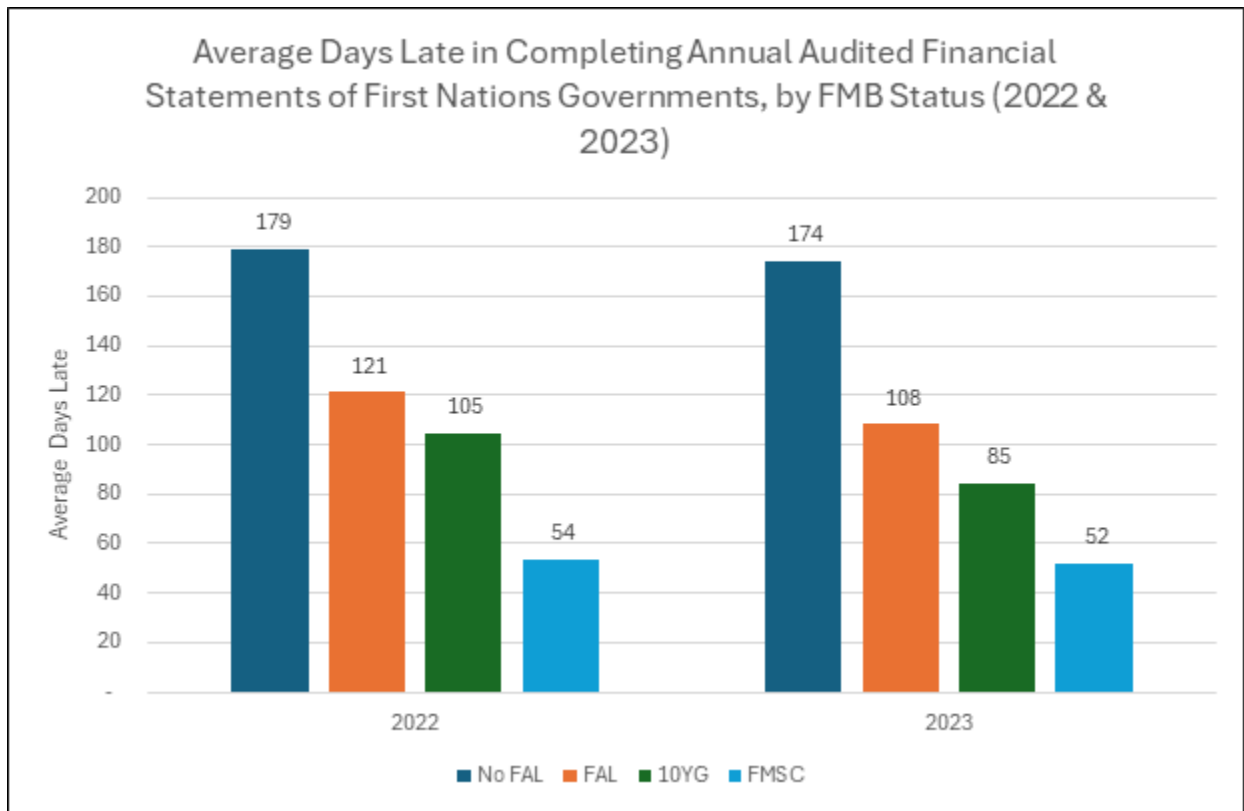
Days Late of Annual Financial Statement

Figure A6 shows the average days late of First Nations government annual financial statements, by progress with FMB, as measured as the difference between the audit report date and July 29 (2022 or 2023, respectively). A clear trend emerges when we observe greater progress with the FMB – we see a correlation with timelier completion of audited annual financial statements.

For the fiscal year 2023, First Nations without FALs had an average days late of 179 days (2022 – 174), which decreased to 108 days (2022 – 121) for Nations with a FAL. This figure decreased with greater FMB progress as follows: 10 Year Grant at 85 days (2022 – 105), and FMSC at 52 days (2022 – 54 days).

The logistic regression models in the previous section (Figures A3 & A4) corroborate timelier audited annual financial statements for First Nations that maintain an FMSC – for both the years 2022 and 2023. This provides strong evidence that Nations who pursue and achieve their FMSC have a significantly timelier completion of their audited annual financial statements.

Figure A6: Days Late of First Nations Government Annual Financial Statements (2022 & 2023) - by Progress with FMB (2022 & 2023 respectively)



Impact of Audit Report Qualifications

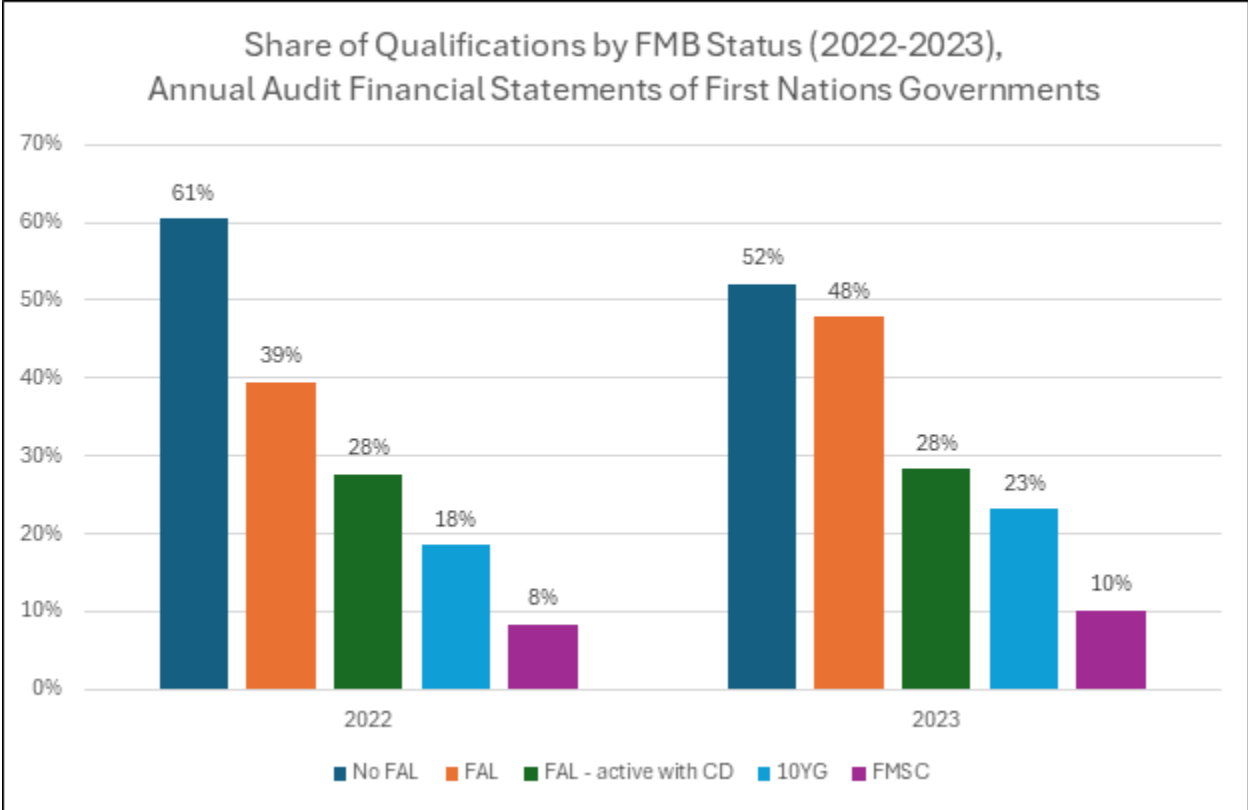
We now turn our attention to the connection between audit report qualifications and the progress that First Nations have made with the FMB. Figure A7 shows us that First Nations that have not yet adopted a FAL continue to face the highest likelihood of maintaining a qualification in their annual financial statement’s auditor report. Figure A9 presents the share of qualifications by FMB status for the years 2022 and 2023. In 2022, 61% of audit qualifications were linked to Nations without a FAL compared with just 18% for Nations holding a 10-Year Grant and only 8% for those that have achieved their FMSC. The pattern is unmistakably stepwise: every additional stage of engagement with the FMB is associated with fewer qualifications in their annual financial statements.

It is also important to note that Nations with a FAL maintain a much lower share of audit report qualifications compared to Nations without a FAL. This share drops even more significantly when Nations with FALs are active with FMB’s Capacity Development team. This demonstrates the importance of the capacity development work of FMB, and the positive impact that this work has for First Nations governments financial health.

The 2023 results reinforce this trend. While the share of qualifications for Nations without FALs fell to 52%, the rate stayed nearly the same for Nations with FMSC – at the low rate of 10%. In other words, even

as audit standards evolve from year to year, Nations that achieved FMSC consistently produce audits with clean audit opinions—tangible evidence that collaborative work with FMB strengthens financial management capacity and accountability.

Figure A7: Share of Audit Report Qualifications, by FMB Status (2022 & 2023)



Asset-retirement obligations (ARO) are technically complex and have generated a spike in qualifications for numerous First Nations since the new Public Sector Accounting Standard (PSAS) took effect in 2023. Figure A8 evaluates ARO qualifications by FMB status, and shows that among 2023 audits, we observe the highest share of ARO-related qualifications (54%) from Nations without a FAL. Nations operating under a FAL saw this share drop to 46%. Far stronger performance is evident for communities that partner more deeply with FMB: the ARO qualification share dropped to 28% for Nations with a FAL and also who are actively working with FMB’s Capacity Development team, 22% of Nations with 10-Year Grants, and a single-digit 9% of Nations with FMSC maintained ARO qualifications.

The sharp decline in the share of ARO qualifications for Nations that work more progressively with FMB speaks to the value that FMB provides for First Nations governments in strengthening financial reporting – along with the in-community capacity needed to produce quality financial reporting. In practical terms, FMB’s collaboration assists First Nations in navigating complex accounting and financial standards and adopting on-the-ground accounting practices that generate quality and insightful financial reporting.

Figure A8: Share of Asset Retirement Obligation (ARO) Related Audit Report Qualifications, by FMB Status (2022 & 2023)

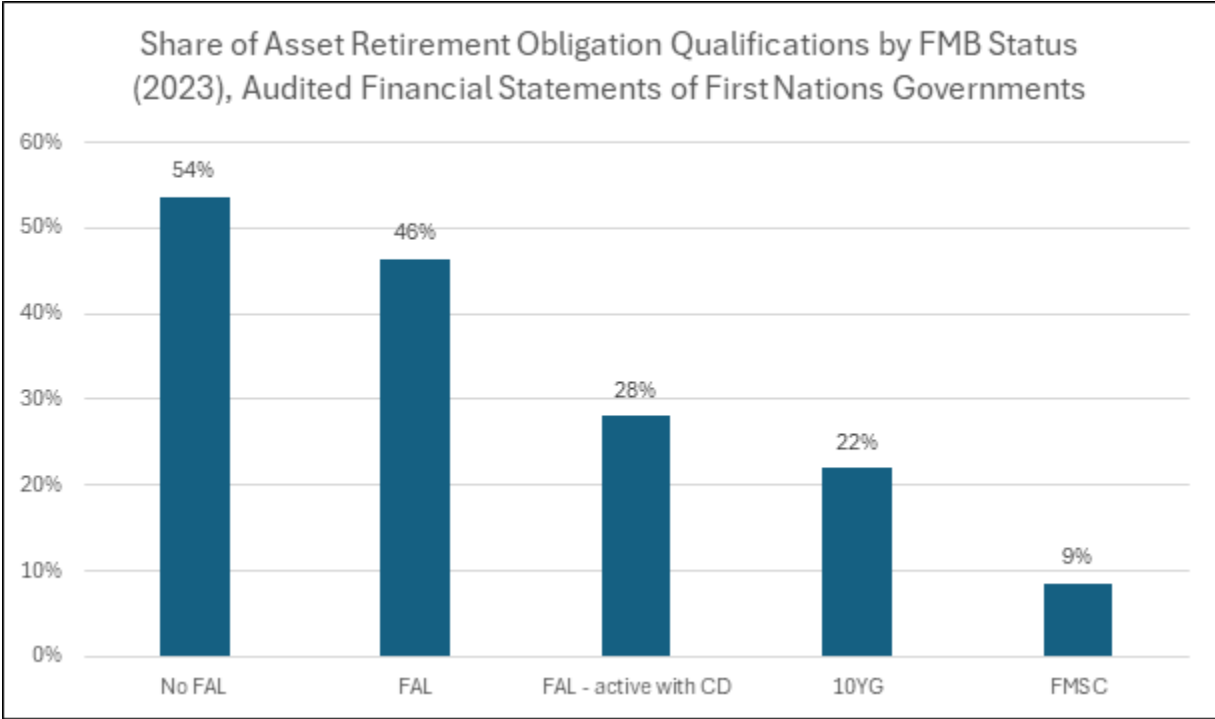
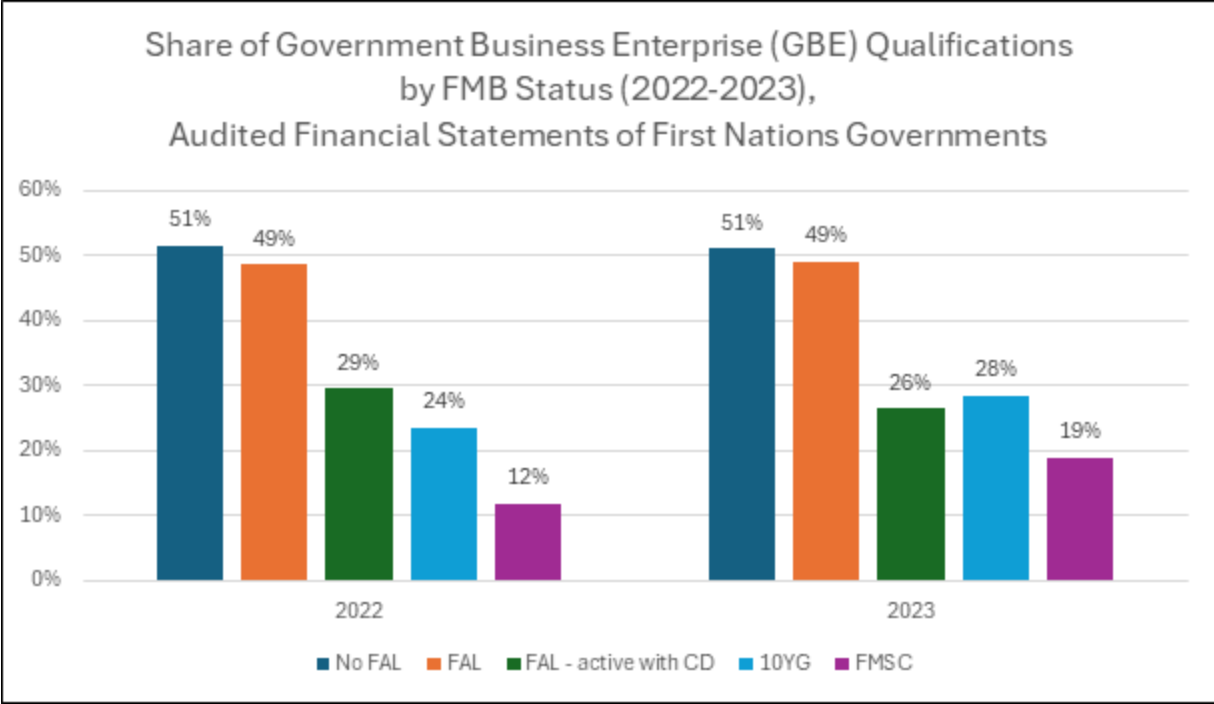


Figure A9 considers the share of qualifications relating to GBEs by FMB status. In both 2022 and 2023, the share of GBE-related qualifications was linked to Nations without FALs (51%), whereas Nations with an FMSC cut that down to 12% in 2022 and 19% in 2023. The intermediate milestones again reveal a consistent gradient: Nations with a 10-Year Grant or FAL (who are also active with FMB’s Capacity Development team) maintained a share of the qualifications in the mid- to high-20s percentage range.

That stability of the trends over the two fiscal years demonstrates that the relationship holds firm year-over-year. In short, as Nations move from no FAL to FMSC, they demonstrate progress in avoiding GBE-related audit qualifications, reinforcing how deeper collaboration with the FMB translates into stronger financial reporting for the Nations’ citizens.

Figure A9: Share of GBE-Related Related Audit Report Qualifications, by FMB Status (2022 & 2023)



Provincial or Region Analysis

Annual Financial Statement Availability

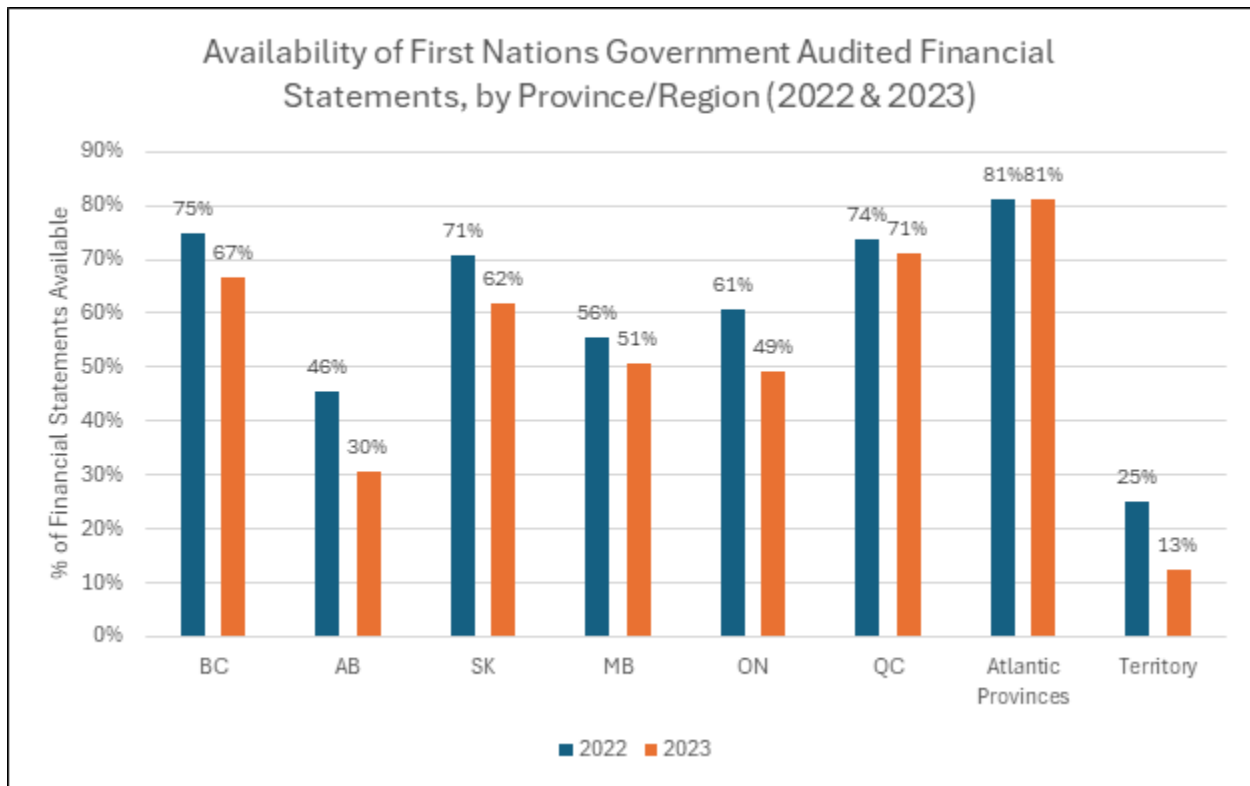
We now turn our attention to distinct trends that emerge by province or region. First, we consider Figure A10, which evaluates the availability of annual financial statements for the years 2022 and 2023:

- First Nations located in the provinces of Alberta, Manitoba, Ontario, and the Territories have the lowest availability of their annual financial statements. We observe a notable drop in availability in 2023 vs 2022 for Nations in Alberta, Ontario, and the Territories.
- First Nations located in the Atlantic provinces have the highest availability of annual financial statement, with Nations in Quebec as a close second.
- First Nations in British Columbia and Saskatchewan are between the extremes of the other provinces for availability.

How do these findings align with the regression results? A similar picture emerges. When considering both the regression results (Figures A3 and A4) and Figure A12, the key findings are as follows:

- First Nations in Alberta and the Territories maintain lower availability for the years 2022 and 2023 (compared to BC)
- Manitoba also maintained lower availability for the year 2022 (compared to BC).

Figure A10: Percentage of First Nations Government Annual Financial Statements Publicly Available (2022 & 2023) - by Province/Region



Days Late of Annual Financial Statement

We now consider Figure A11, which evaluates the days late of annual financial statements for the years 2022 and 2023 – for First Nations that have submitted their annual financial statements in the respective year:

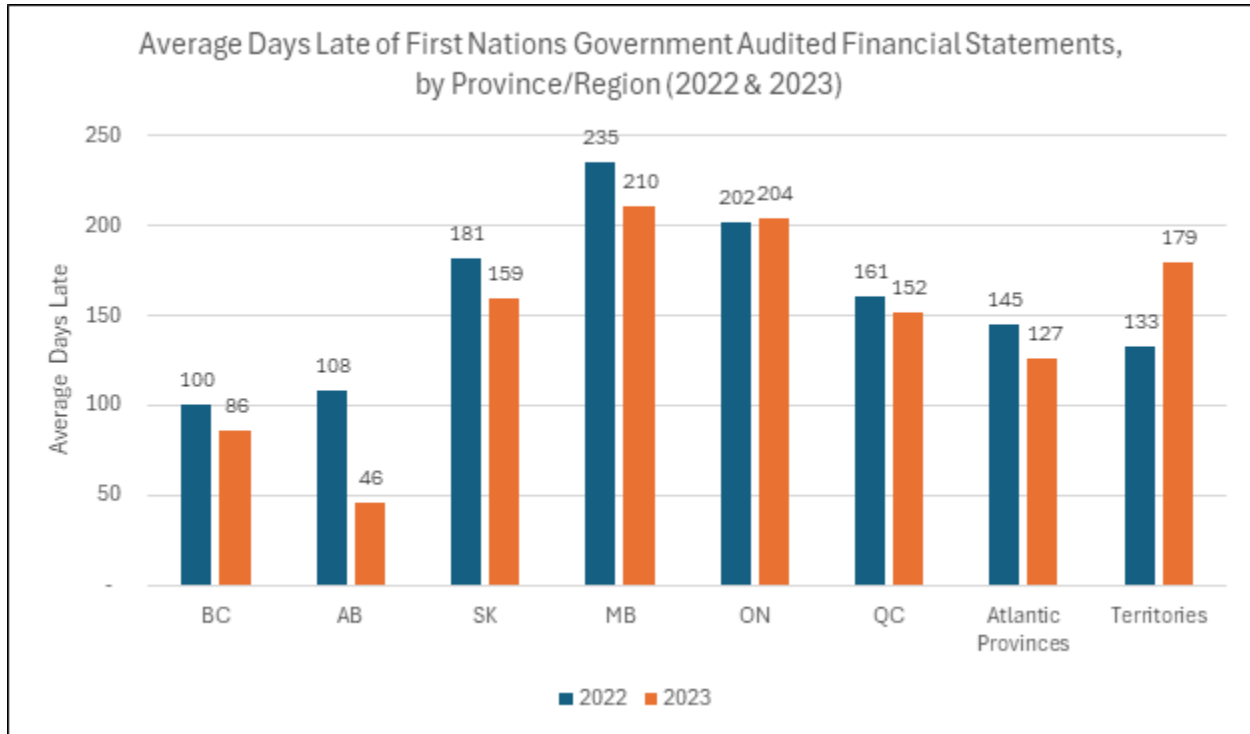
- First Nations located in the provinces Manitoba and Ontario maintain the highest days late.
- First Nations in British Columbia and Alberta maintain the timeliest annual financial statements.
- First Nations in Saskatchewan, Quebec, the Atlantic provinces, and the Territories maintain a days late in between the extremes of the above listed provinces.

How do these findings align with the regression results? When considering both the regression results (Figures A5 & A6) and Figure A13, the key findings are as follows:

- First Nations in Saskatchewan, Manitoba, and Ontario maintain a higher day late in both 2022 and 2023 (compared to B.C.).
- Nations in the Atlantic region also maintain a higher days late in 2022 (compared to B.C.).
- We also observe a timelier submission of annual financial statements for Alberta in 2023 (compared to B.C.). Note that this may be partially explained by fewer Nations submitting

statements in Alberta for 2023 – so a direct comparison in days late for Alberta between 2022 and 2023 does not reflect the same First Nations.

Figure A11: Average Days Late of First Nations Government Annual Financial Statements (2022 & 2023) - by Province/Region



These regional trends demonstrate that First Nations in specific regions may be facing distinct challenges, which require solutions that meet their unique needs. These results provide evidence that a one-size-fits-all approach will likely not be appropriate to address the needs of each region. A recommendation is to conduct further research to identify the specific factors, in each region, that have the greatest impact on the availability and timeliness of these annual financial statements. Once these specific regional factors are identified, capacity supports can be tailored to meet each region’s unique needs. Further research could also unveil what factors are present for Atlantic and Quebec First Nations that result in higher availability of their annual financial statements, or why the days late is lowest for Nations in B.C. and Alberta.

Demographic, Financial, and Remoteness Factors

The results from other key factors are worthy of discussion. We will consider the association that the following factors have with the availability and timeliness of First Nations’ annual financial statements: formal education levels, financial factors, and geographic remoteness.

We observed a lower days late of the 2022 and 2023 annual financial statements for First Nations when a higher level of formal education is maintained within the First Nations community. Further research regarding this association would be insightful, which could shed light on whether higher formal education

levels in the community may result in greater political pressure to ensure that quality financial information is made publicly available in a timely manner to the First Nation’s citizenship.

Interestingly, there was no statistically significant association between the Earned & Other Revenue Ratio of First Nations governments and days late. We do observe a significantly higher days late when an audit report qualification is present – days late of 69 in 2023 and 41 in 2022. This highlights the real impact that qualification-related issues have on the timely submission of annual financial statements. It is worth recalling from the previous sections that First Nations that work with the FMB more progressively maintain fewer audit qualifications. This link shows how FMB’s work can reduce audit qualifications, as well as support timely annual financial statements.

Finally, we consider the impact of geographic remoteness on annual financial statement availability and days late. First Nations that are geographically remote have a lower likelihood of having their annual financial statements available – for both 2022 and 2023. Geographically medium First Nations also have a lower likelihood in 2023. Curiously, geographic remoteness is not a significant factor when evaluating days late for Nations that have submitted their annual financial statements. This distinction is important, as it demonstrates that some remote communities may be in a position where completing audited annual financial statements is becoming difficult – not just a matter of being delayed.

Data Driven Proposals and Recommendations

Grounded in the empirical findings presented throughout this appendix, the following table bridges rigorous analytical insights with concrete, data driven proposals. It highlights how evidence gathered from First Nations’ financial reporting patterns directly informs practical recommendations that can strengthen transparency, bolster capacity, and tailor supports to the distinct needs of communities. The analytical insight from Appendix II is also presented in Table A5. References are provided that directly support the recommendations of this report.

Table A5: Analytical Insights, Data Driven Proposals, and Support for Report Recommendations

Analytical Insights	Data Driven Proposals	Support for Report Recommendation
#1: First Nations that work more progressively with FMB have a higher availability of their annual financial statements as well as a submit the statements timelier (See Figures A1-A6).	Ensure that First Nations are made aware of the supports that FMB can provide, including the supports in place that facilitate the adoptions of FALs, 10-Year Grants, and FMSC. Also, ensure that FMB receives the necessary financial resources to continue its work in supporting First Nations governments.	1.5 Funding the FMB for the work it does 1.6 Raising awareness of the FMB

<p>#2: First Nations working more progressively with FMB have a much lower share of audit report qualifications – demonstrating stronger financial capacity and transparency (see Figures A3-A4 & A7-A9).</p>	<p>First Nations with FMSC demonstrate a heightened level of annual financial statement availability, timeliness, and other positive community outcomes. Expanding the FMS Certification to an ongoing assurance would ensure the benefits of the FMSC continue on in perpetuity.</p>	<p>2.4. Introduce ongoing or re-certification for FMB’s certifications</p>
	<p>The Government of Canada should recognize the heightened level of accountability and transparency that is associated with a First Nation maintaining a FAL, 10-Year Grant, or FMSC. This recognition could be demonstrated through an easing of reporting requirements linked to federal fiscal transfers, and potentially in facilitating the monetization of future years’ federal fiscal transfers. FMB’s certifications are yielding tangible results – it follows that these results should be recognized by the Government of Canada.</p>	
<p>#3: First Nations that maintain a qualification in their annual financial statement’s audit report have, on average, delayed annual financial statements of a further 69 days in 2022 (2023 – 41 days) – qualifications that may be linked to complex reporting requirements (see Figures A3-A4).</p>	<p>Audit report qualifications result in significant delays in submitting audited annual financial statements. Streamlining or simplifying First Nations Governments’ reporting obligations could reduce the occurrence of qualifications and potentially result in more timely annual financial statements.</p>	<p>5.2. Streamline and simplify First Nations Governments’ reporting obligations</p>
<p>#4: First Nations from specific provinces demonstrate very distinct trends in the availability and timeliness of their audited annual financial statements – showing distinct needs by region (see Figures A1-A4 & A10-A11).</p>	<p>First Nations from the following regions are facing the greatest challenges in making publicly available their audited annual financial statements: Alberta, Manitoba, Ontario, and the Territories. Of the Nations that have submitted annual financial statements, the following provinces maintain a higher days late: Manitoba, Ontario, and Saskatchewan. It is imperative to recognize that distinct regions face unique challenges and needs, and that a one-size-fits-all approach is not appropriate. Further research should be conducted to determine what region-specific factors are hampering First Nations’ ability to prepare and make available their annual financial statements in a timely manner.</p>	

<p>#5: First Nations communities that have a higher level of formal education among community citizens have a higher availability of their audited annual financial statements (see Figures A3-A4).</p>	<p>Conduct further research to better understand the association between formal education levels and the greater availability of annual financial statements. One area of interest would be to determine if higher formal education results in political pressure for the First Nations government to make available quality financial information. A second research topic would be whether higher education leads to the greater ability to hire community citizens for the Nation’s administrative positions.</p>	
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<p>#6: First Nations that are geographically remote have a lower likelihood of having their annual financial statements available – for both 2022 and 2023. Geographically medium First Nations also have a lower likelihood in 2023. Geographic remoteness is not a significant factor when evaluating days late for Nations that have submitted their annual financial statements (see Figures A1-A4).</p>	<p>Understanding the distinction between availability and days late is important, as it demonstrates that some remote communities may be in a position where completing audited annual financial statements is becoming difficult – not just a matter of being delayed. It would be worthwhile to conduct further research to identify the specific factors that lead to remote First Nations communities being less able to complete their audited annual financial statements.</p>	
<p>#7: First Nations participating in the FMBs DMPPP saw a strengthening in their financial health – as observed by an increased in their operating margin ratio (OMR) from 0.068 in 2019 to 0.159 in 2022 (see Appendix II, Figure 2).</p>	<p>To lock in and extend these gains, FMB should sustain and scale the program’s tools, training, and capacity building for more Nations. The Government of Canada can support this by ensuring stable, secure, and expanded funding to FMB to provide these important services to First Nations governments.</p>	<p>1.2 Expand services to First Nation finance teams 1.5 Funding the FMB for the work it does</p>

Appendix II References

- Blankinship, S. & Lamb, L. (2022). Exploring First Nation community wellbeing in Canada: The impact of geographic and financial factors. *Economic Papers, 41 (2), 128-154*. Retrieved from: <https://onlinelibrary.wiley.com/doi/abs/10.1111/1759-3441.12358>
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Appendix II, Supplement I: Descriptive Statistics – by Progress with FMB

Table S1: Descriptive Statistics of 2022 Annual Financial Statement Availability – by Progress with FMB

	No FAL	FAL	10YRG	FMSC
2022 FS not received	166	49	13	3
2022 FS received	201	181	95	47
Total	367	230	108	50
% of 2022 FS Publicly Available	55%	79%	88%	94%

Table S2: Descriptive Statistics of 2023 Annual Financial Statement Availability – by Progress with FMB

	No FAL	FAL	10YRG	FMSC
2023 FS not received	199	68	19	4
2023 FS received	147	183	101	53
Total	346	251	120	57
% of 2023 FS Publicly Available	42%	73%	84%	93%

Table S3: Average (Mean) Days Late of Annual Financial Statements, 2022 & 2023 – by Progress with FMB

Progress with FMB	Mean	
	2022	2023
No FAL	179	174
FAL	121	108
10YRG	105	85
FMSC	54	52

Appendix II, Supplement II: Calculation of Variables, Details of Datasets Used, and Limitations of the Research

Calculation of Variables

Table S4: Calculation of Demographic Indices and Financial Ratios

Variables	Steps	Calculation	Data Source
Education Index	1: Input education data calculation 2: Divide balance by population 15 years and Over 3: Adjust index to a scale of 0-100	[No. of people who have a high school diploma (or equivalent) only] *1 + [(No. of people with trade or apprenticeship or other non-university certification) + (No. Of people with a university certificate below bachelor level) + (No. of people with a university degree bachelor or higher)] * 1.25 = Sum of amounts Sum of amounts / Population 15 years and over * 100 = Unadjusted education index Unadjusted education index * (Adjustment factor) = Education Index	2021 Census from Statistics Canada (Statistics Canada, 2022) (Blankinship & Lamb, 2022)
Earned & Other Revenue Ratio		Earned & other revenue / total revenue (Note 1)	2022 & 2023 audited First Nations government annual financial statements (Indigenous Services Canada, 2021A)

Note 1: earned & other revenue can relate to various types of own-source and other revenues of the First Nations government, which can include, but is no limited to: business revenue, profit from Nation-owned enterprises/partnerships, user fees, property tax, economic development royalties, other taxes, other revenue, etc.

Two geographic remoteness variables are listed in Table 3 (X_7 – X_8). Indigenous Services Canada (2021B) rates the level of geographic remoteness for each First Nation community from zones 1–4 based on proximity to the nearest service centre (e.g. town or city) with year-round road access. For this study, First Nations in zone 1 (located with 50 km of the nearest service centre with year-round road access) are classified as geographically close. Nations in zone 2 (located between 50 and 350 km) are classified as geographically medium. Finally, Nations in zone 3 (located over 350 km) or zone 4 (no year-round access to a service centre) are classified as geographically remote. The remoteness zone for each First Nation can be found from Indigenous Services Canada (2021A).

The geographic zones are identified by the Government of Canada through its department of Indigenous Services Canada and serve as a measure for the remoteness of First Nations. A threshold of 50 km to a

service centre is an effective measure for being geographically close, as these community citizens can easily commute to/from a neighbouring town or city. The threshold of 350 km from a service centre delineates between a community being geographically medium and geographically remote.

Limitations of Research

This study has a few limitations. Approximately 42%-51% of First Nations are excluded from the linear regression models that evaluate days late (regression #3 and #4). The reason for this exclusion is that these regression models only evaluate days late for First Nations that have submitted their annual financial statements – and exclude First Nations that may submit their annual financial statements in the future. Some further Nations were excluded if they did not have relevant data available that relate to the independent variables in the regression models #3 and #4. This has the potential to introduce bias into the results. Note that nearly 100% of First Nations are included in the logistic regression models (regression models #1 and #2) that evaluate the availability of First Nations government annual financial statements. It is also noted that this study relies on observational data, which makes it not possible to draw causal conclusions.

Appendix III: Summary of First Nations Government Survey Findings

	Without completed annual financial statements	With completed annual financial statement
Total number of First Nation Governments - participants	56	67
Number of First Nation governments that have recruitment and retention problems	51	44
Struggled with recruitment and retention	<ul style="list-style-type: none"> - Compensation - Lack of qualified people in community - Can't attract outside people - Remoteness and general lack of funding - General political climate - Housing and pay - Limited local applicants - Attract people to the FN - Wage scale 	<ul style="list-style-type: none"> - Housing and pay - Political environment
What training is needed	<ul style="list-style-type: none"> - Technical accounting training and accounting system training - Bookkeeping - Governance - Excel 	<ul style="list-style-type: none"> - Technical accounting training and accounting system training - Governance
Number of First Nation governments that use external accounting services	29	39
Number of First Nation governments who have a third party complete their annual financial statements	37	40
Number of First Nations whose audit takes over three months to complete	37	18
Issues with auditors identified by First Nation	<ul style="list-style-type: none"> Auditor availability Auditor short staffed Lack of experience 	<ul style="list-style-type: none"> Auditor short staffed Auditor availability
Issues First Nation financial staff experience in audit preparation	<ul style="list-style-type: none"> - Staffing to complete accounting and provide information to auditors - Reconciliation of revenue - Technical accounting issues - Paper driven accounting system - Correcting coding errors 	<ul style="list-style-type: none"> - Gathering information for auditors - Late invoices - Technical accounting issues is primary cause - Timing and available time to complete work - Lack of training of staff and leadership

<p>What help does the First Nation need to complete their accounting, subsequent audit and annual financial statement presentation</p>	<ul style="list-style-type: none"> - Capacity and recruitment of qualified staff - Qualified auditors with experience working with First Nation - Training and system modernization - Technical accounting improvements - ie proper chart of accts, budgeting, coding - Technical accounting skill improvement - training - Additional funding - Silos in funders, a more uniform means of reporting to all - Software upgrade 	<ul style="list-style-type: none"> - Capacity, having more staff - Better accounting software - Training in technical accounting and year-end procedures - Hardware upgrades - Additional funding for support staff - Technological resources, backing up data to the Cloud - Technical accounting improvements - ie proper chart of accts, budgeting, coding - Better audit funding
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Appendix IV: Preliminary In-Person Survey Findings

FMB – Auditor Interviews – Completed by Leger Consulting

Interim Summary of Interviews

Audit Context

- Most auditors work with both First Nations governments and their associated business entities.
- Auditors' First Nations clients vary greatly in terms of size, revenue of enterprises, and complexity.
- The vast majority of communities do not prepare their own annual financial statements. Auditors typically compile statements using client data as part of their services.

Audit Process & Delays

- Audits are frequently delayed, with many estimating 70–90% of audits starting later than planned.
- The most common reason cited for delays is a shortage of experienced financial staff within communities.
- Larger First Nations and/or those closer to urban centres tend to have larger and more experienced finance teams, while smaller and more rural First Nations tend to have smaller and less experienced finance teams.
- Staff turnover, recruitment difficulties (especially in remote communities), and challenges offering competitive salaries exacerbate the issue.

Barriers to Completing Audits

- Reporting complexities related to ISC funding and other funding can contribute to delays, as it is required to provide line-by-line breakdowns for every contribution agreement item, often resulting in 100+ program schedules per Nation.
- More own-source revenue, multiple business ventures, and joint partnerships add consolidation challenges and can contribute to delays in on-time audits.
- The timing of First Nations audits is challenging for auditors, as they are juggling multiple priorities and are coming off of their busy period. In addition, many First Nation audits continue into summer months when auditors take vacation.

Role of Community Leadership & Prioritization

- Community leadership plays a significant role in audit timeliness. In First Nations where Chief and Council prioritize the audit, audits are more likely to be on time.

- A lack of perceived value in annual financial statements beyond funder requirements can reduce motivation to invest in audit readiness. Communities who see value in financial reporting are more likely to prioritize being ready for their audit and having it done in a timely manner.

Solutions & Recommendations

- **Recruiting and retaining qualified financial staff** was identified as the most critical and effective long-term solution.
- **Extending the audit deadline** was supported. The current requirement is widely viewed as unrealistic given the complexity of First Nations audits, the volume of reporting required by funders, and the seasonal bottlenecks during audit season (April–June).
- **Ongoing technical support and quarterly training for finance staff** was emphasized by many as a way to build internal capacity over time. Regular training and check-ins can reduce errors, help staff stay on top of reporting tasks, and improve audit preparedness, especially in communities with high turnover or less experience.
- **Conducting interim audits or pre-year-end procedures** was widely supported. Many auditors already do this, and it's seen as one of the most effective tactics for reducing delays and smoothing the year-end workload. Early identification of issues allows for resolution ahead of time and improves overall audit quality.

Feedback on Proposed Solutions (Ranked from Most to Least Appealing):

- **Using cloud-based financial management systems for remote auditing**
 - Strongly supported. Seen as highly effective for improving access to financial records, reducing travel, and enabling more flexible and efficient audits. Particularly helpful for remote communities.
- **Establishing a resource hub for First Nations financial reporting**
 - Widely supported. Regional hubs staffed with financial professionals could help Nations prepare for audits, provide advisory services, and offer hands-on training. Would be especially valuable for smaller or isolated communities.
- **Streamlining reporting requirements from funders**
 - Many auditors expressed that the volume and granularity of reporting (e.g., ISC program-level schedules) is unnecessarily complex. There is strong support for simplifying these requirements, particularly for small or remote Nations. Most auditors still support using public sector accounting standards overall, citing the importance of comparability, but acknowledged these standards don't always reflect the realities of Indigenous governments.

- **Providing more cultural competency training and exposure to community cultures**
 - Seen as important for relationship-building and respectful engagement. Many firms already invest in this. However, auditors agreed that while it's meaningful, it would not significantly improve audit timeliness or technical readiness.
- **Creating a pool of competent/trained auditors for First Nations audits**
 - Mixed support. While the idea of increasing auditor availability is positive, some feel this already exists as there are firms with expertise with First Nation audits that are known.
- **Developing shared audit services across multiple First Nations**
 - Low appeal. Most auditors already serve multiple Nations and saw limited benefit in formalizing shared services. Not expected to improve audit timelines.
- **Having more Indigenous auditors**
 - Viewed as important. Auditors supported the long-term goal of greater Indigenous representation in the profession but recognized this requires systemic investment in education and CPA pathways. Not a short-term solution for audit delays.
- **Establishing public accounting standards tailored to Indigenous governments**

Low priority. While the current standards may not always align with Indigenous governance realities, most auditors preferred to focus on simplifying processes and capacity-building. Maintaining comparability with other governments and public bodies was viewed as essential.

Appendix V: Summary of Top Answers in the On-Line Survey

FMB – CPA Audit Practitioners Surveys – Completed by Leger Consulting in Partnership With CPA-BC, CPA-AB, CPA-SK, CPA-MB & CPA-NB

Note: There were only 28 completed surveys, and although insufficient to be representative of the population, the answers were quite consistent among the respondents.

Survey Inquiry	Selected Answers	Resp.
Audits starting Late	Majority of engagements start late	26
Reasons for being late	Limited technical accounting knowledge of FN staff	25
	Majority say staff availability/capacity/scheduling	24
	GBE's accounting not complete	22
Once started, are audits completed	Majority say audits are completed	26
Are audits completed on time	Majority say they are late	15
Greatest barriers to First Nations completing annual financial statements	Shortage of trained staff	26
	Staff turnover	21
	Complex reporting requirements	20
Public Practice barriers to completing audit work	Lack of PSAS/IFRS experience	12
	Auditors with FN audit experience	12
	Difference in working style and culture with FN	10
Greatest factors effecting FN audit completion	Lateness of financial documentation	21
	Limited communications with FN staff	20
	Lack of commitment from leadership	16
Impact of recommended regulatory changes	Simplified financial reporting	22
	Reducing administration burden from funders	16

	Clearer/consistent guidelines from funders	13
Impact of increasing auditor capacity to improving audit completion	Increasing collaboration with FN finance teams	18
	Develop audit-specific guidelines tailored to FNs	13
	Increase in number of auditors	12
Impact of these changes/recommendations to First Nations administration in completing annual financial statements	Strengthening oversight and controls	26
	Strengthening record keeping practices	25
	Improved leadership engagement in financial reporting	21
	Greater use of external financial consultants	21
	Improved access to training	18
Top suggestions from CPAs in the survey	More training for First Nation staff	
	Recruitment of qualified accounting staff	
	Changing the year end to June 30th	
	Accounting standards more reflective of First Nations governments	
	Making audits a priority in the First Nation	

Appendix VI: Required Accounting in First Nation Communities

First Nations Government Operations

Required Accounting Standard: Public Sector Accounting Standards (PSAS). The focus is providing services to the community in a transparent manner, ensuring accountability.

- Revenue sources are grants, government transfers
- Financial health is measured by net debt and accumulated surplus or deficit
- Long-term asset sustainability is essential; depreciation is based on asset value, not the loan value.

GBEs

Accounting Standard: International Financial Reporting Standards (IFRS) or Accounting Standards for Private Enterprise (ASPE). The focus is on generating revenue and maximizing profit

- IFRS – These are standards for publicly traded companies and set out uniform guidelines. This ensures consistency among annual financial statements for broad use.
- ASPE – These are guidelines for private companies on what needs to be included in their annual financial statements. There is more flexibility in presentation and focuses on the needs of decision makers of the enterprise.

CMHC

Required Accounting Standard: Canadian Audit Standard 800. Special Considerations: Audits of Annual Financial Statements Prepared in Accordance with Special Purpose Frameworks. The focus is on how the subsidy was used, with required restricted account use for any surpluses and reserves.

- This means that the Nation has to conduct their accounting in accordance to stipulations in their loan agreement with CMHC.
- Depreciation of houses (assets) are not depreciated based on their useful life but are amortized at a rate equal to the repayment of the principal portion of the loan. This distorts the value of the asset, which requires a “value adjustment” of the house/asset at the end of the loan.

Appendix VII: Impact and Outcomes of FMB’s Default Management Prevention Pilot Project (DMPPP) for First Nations

The goal of this appendix is to determine the efficacy of the DMPPP. One method to accomplish this is evaluating financial ratios of the First Nations governments that are participating in the DMPPP. These ratios will be evaluated from the year 2019 to 2022, which enables the reader to determine if these First Nations’ financial health has improved during their time in the DMPPP.

The operating margin ratio (OMR) will be evaluated as measures of the First Nations’ financial health. OMR measures the First Nations’ ability to balance its revenues and expenses and to maintain its operations effectively. An improvement in this ratio between the years 2019 and 2022 would demonstrate an improvement in financial health. This metric is a useful key performance indicator to measure the efficacy of the DMPPP to First Nations.

We now evaluate the research methodology in more detail, identify the datasets used, explain the financial ratio formula, and discuss the statistical analysis employed.

Research Methodology

The quantitative analysis conducts a comparison of means (averages) of the OMR from the years 2019-2022 for 15 First Nations government participating in the DMPPP. The audited annual financial statements of 15 First Nations governments are used, as there are 15 First Nations governments that have publicly available audited annual financial statements from 2019-2022. Through this method, we can determine if these First Nations governments see an improvement in their financial health when they participate in the DMPPP.

The data used to calculate this financial ratio was taken from the publicly available First Nations government audited annual financial statements, which are available on the website of ISC, 2021A. These audited annual financial statements were digitized and entered into a standardized template that allows for comparative analysis. The formula used for the OMR financial ratio is as follows:

- Operating Margin Ratio (OMR) = (total revenue less total expenses) / (total revenue)

The mean (average) amounts of the OMR are then calculated for 15 First Nations in the DMPPP for each year ranging from 2019-2022. This allows the reader to evaluate whether we see improvements in these ratios for First Nations governments that participate in the DMPPP.

Before we review the change in the OMR, we will have a high-level review of the socioeconomic conditions that these First Nations faced in the period between 2019-2022.

Socioeconomic Conditions: 2019-2022

One of the most prominent issues facing First Nations in the DMPPP between 2019 and 2022 was COVID-19. During this time, First Nations communities were dealing with this unprecedented pandemic, which impacted the communities’ health, economies, and a host of other socioeconomic factors. Not only this,

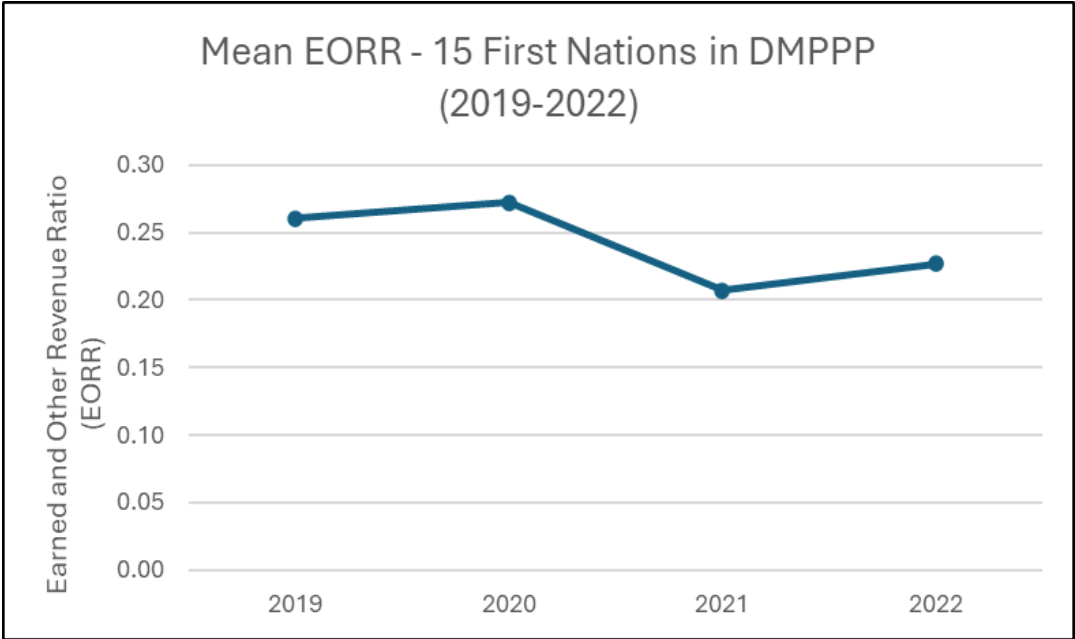
several of the communities in the DMPPP were facing environmental disasters, such as forest fires and floods. These challenges put significant strains on the First Nations governments that are included in this study.

FMB published a report, titled *First Nations Revenue Source Research*, in 2020 that evaluated the impact that COVID-19 would likely have on First Nations owned businesses (First Nations Financial Management Board, 2020). This report was then used by the Government of Canada to allocate resources to First Nations governments who had businesses that were negatively affected due to the pandemic. As many First Nations businesses generate profits, this report projected that there would be a significant drop in own-source revenue for First Nations due to pandemic related business closures.

As the audited annual financial statement information has been collected for 15 First Nations in the DMPPP, we are now able to calculate the drop in own-source revenue that these First Nations experienced throughout the pandemic. Own-source revenue is evaluated through the Earned and Other Revenue Ratio (EORR) and is calculated as: $(\text{earned and other revenue}) / (\text{total revenue})$. Earned and other revenues can include, but are not limited to, the following: business revenue, profit from Nation-owned businesses, user fees, property tax, economic development royalties, other taxes, other unclassified revenue, etc. The EORR is evaluated between the years 2019-2022.

Figure A1 evaluates the mean EORR from the years 2019 to 2022. The results corroborate the findings of FMB’s earlier report, which identify a drop in own-source revenue from 0.273 in 2020 to 0.207 in 2021. While we do observe a slight increase to 0.227 in 2022, the 15 First Nations in the DMPPP were dealing with shortfalls in their own-source revenue. This fiscal constraint should be remembered as we now turn our attention to the trends in the OMR.

Figure A1: Mean Earned and Other Revenue Ratio (EORR) – 15 First Nations in DMPPP (2019-2022)



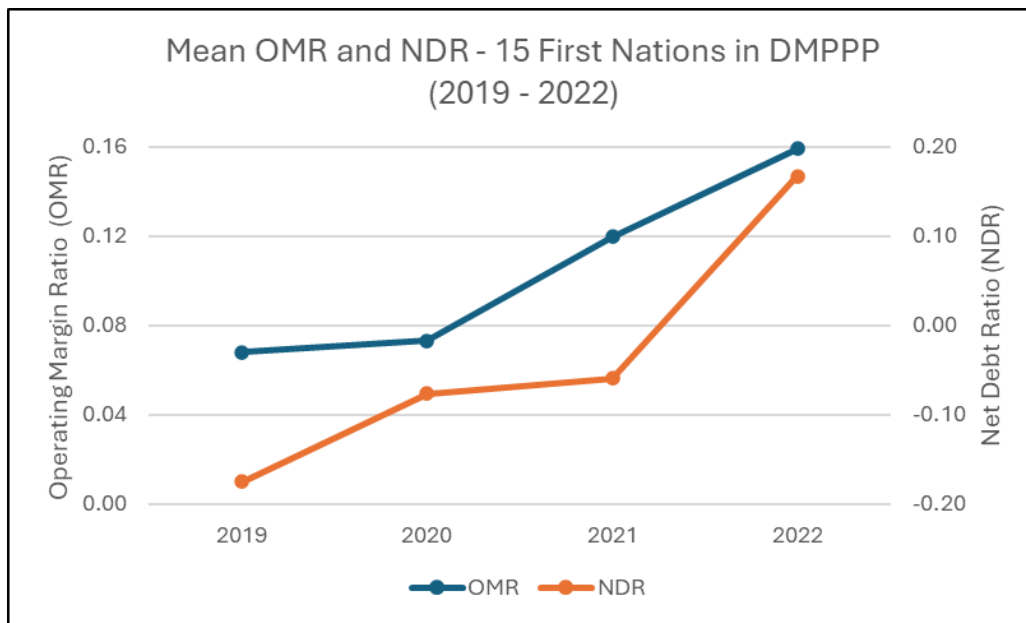
Financial Outcomes for First Nations in DMPPP

We seek an answer to the following question: do First Nations governments participating in the DMPPP achieve stronger financial health? We answer this question by evaluating the OMR. This ratio is analyzed for 15 First Nations governments that are part of the DMPPP, who have audited annual financial statements available from the years 2019-2022.

The OMR measures the First Nations' ability to balance its revenue and expenses and to maintain its operations effectively. If we observe an improvement in this ratio between 2019 and 2022 for First Nations in the DMPPP, we could conclude that the financial health of these First Nations has improved. As improved financial health is a key goal of the DMPPP – such an improvement would be an important key performance indicator for the efficacy of the DMPPP.

Figure A2 presents the OMR of these 15 First Nations governments between 2019 and 2022. The average OMR in 2019 was 0.068 with a slight increase in 2020 to 0.073. We then observe significant increase in 2021 to 0.12, and finally a further increase in 2022 to 0.159. The OMR more than doubled between 2019 and 2022. This is a remarkable improvement and represents a significant achievement of the First Nations governments that are participating in the DMPPP. This demonstrates that these First Nations governments have improved their ability to manage their operations effectively – a critical aspect of strong financial management.

Figure A2: Mean Operating Margin Ratio (OMR) – 15 First Nations in DMPPP (2019-2022)



The results from Figure A2 clearly demonstrate that First Nations governments participating in the DMPPP have improved their financial health. These First Nations have made significant progress in improving the financial wellbeing of their governments while using the tools and supports of the DMPPP.

Summary

This appendix posed the question: do First Nations governments participating in the DMPPP see improvements in their financial health? The answer to this question is clear. First Nations have seen a significant improvement in their financial health while participating in the DMPPP. The average OMR has more than doubled from 0.068 in 2019 to 0.159 in 2022. This positive financial outcome is a testament to the hard work carried out by the First Nations governments, their leadership, and their staff. By using the tools and supports of the DMPPP, these First Nations are making significant progress towards stronger financial health and fiscal independence.

These positive financial outcomes demonstrate the efficacy of the DMPPP. As an Indigenous-designed and -led program, the DMPPP provides the supports and tools that build up financial capacities within First Nations communities, as well as achieving tangible financial results on-the-ground.

It is important to recall the challenging socioeconomic conditions that these First Nations governments faced during the period from 2019-2022. During this time there was a significant decline in own-source revenues, as evidenced by the decrease in the EORR. Even through these challenging times, we still observe a significant improvement in the financial health of these First Nations. This fact demonstrates that First Nations in the DMPPP are able to significantly improve their financial health even in difficult socioeconomic conditions. Through an Indigenous-designed and led approach, the DMPPP continues to empower First Nations governments to achieve greater financial outcomes for their communities.

Appendix VII References

First Nations Financial Management Board. (2020). *First Nations Revenue Source Research*. Retrieved from: https://fnfmb.com/sites/default/files/2020-11/2020-10-16_fmb_first_nations_revenue_research_report_en.pdf

Indigenous Services Canada. (2021A). *First Nations Financial Transparency Act (FNFTA) Search*. Retrieved from: <https://fnp-ppn.aadnc-aandc.gc.ca/fnp/Main/Search/SearchFF.aspx?lang=eng>

Appendix VIII: Implementation Plan

This table summarizes the recommendations in their implementable timeframe. The shorter timeframe recommendations are implementable without additional information or costing. The others are outside the normal operational and budgeting norms; therefore, they need approval to pursue and subsequent costing. These recommendations are intended to strengthen financial management capacity, modernize financial systems, enhance funding arrangements, expand the supply of auditors, refine regulatory requirements, and improve governance structures for First Nations Governments. These focus on what the FMB can do to directly address this issue, or provide guidance or support or collaborate with partners to address this issue

Short-term = Within a year, Medium-term = 1-2 years, Long-term = Over 2 years.

#	Recommendation	Action Steps	What needs to happen for success.	FMB Business Line	What would it take to do this?	Cost Elements	Corp Goal Alignmt	Reltd Rcmm
	Short-Term							
1	Raising awareness of the FMB Broaden and refocus on FNFA/FMB clients	- Reach out to FMB/FNFA clients with missing F/S to offer support in getting them up to date - Raise awareness of free services offered by FMB.	- List of FNFA clients w/o F/S - List of FMB clients w/o F/S, will be overlap w/ above - Commitment from member nations	CD IELR PA support, SO-roadmap	A planned approach to these target nations to broach the subject and offer services An on-going plan to promote FMB services to clients and non-clients	Existing costs continue	1.4	2, 20, 12
2	Expand services to First Nation finance teams	- Expand existing FMB support teams (DMPPP, FMS Support Services)	Existing staff are positioned to help clients when/if they ask	FMS SS HR	A plan to ensure that staff are ready to act when/if an existing client reaches out, and to address re-	Additional staff and time	1.1, 1.3	18, 3, 12

			- Staffing is sufficient to meet demand		focus in relation to any existing work occurring Develop a recruitment/retention plan, fill existing vacancies in Support Services - 5 FTEs			
3	Funding the FMB for the work it does	- provide long-term, predictable, sufficient funding for the FMB, including the FMS Support Services evolution out of the pilot project phase, and the DMP services out of the pilot project phase into A-base funding	Agreement on the value FMB provides A clear argument FMBs SS/DM is an effective service to FN communities	CS All BLs support	Data showing a significant impact in the improvement of Band operations in completing accounting cycles, providing reporting and completing annual financial statements	No additional costs	2.1	2
	Mid-Term							
4	Update FMBs FMS and FP certification process to include an on-going renewal process	- Develop a re-certification framework on specified time frame, such as "every 5 years" - Require regular annual financial statement	a perceived benefit - a reason for a refresher of the certificate or For borrowing (FNFA) would need to require	SAC	Creating value in re-certification Overall certification process would need to be updated for a recertification process	Staff time	2.2	

		submissions to maintain certification	re-certification of FPC to continue borrowing		FNFA willing to make re-certification a mandatory process for continued borrowing Alternative review engagements			
5	Establish a Financial Statement Registry	<ul style="list-style-type: none"> - Develop a centralized registry as an alternative to FNFTA - Use existing FMB data & statistics work as a starting point - Promote use of standardized chart of accounts 	Process for FNs to submit F/S Infrastructure System of controls and accesses to data base (this can be an add on to Data Initiative) Buy-in	SAC SO's DAT	<p>Creating value for FNs to use this service</p> <p>Note there is a case where FN citizens are suing C&C through the FNFTA, would a replacement need to provide this avenue?</p>	staff time, consultants, hardware, software		
6	Align CMHC special purpose reporting with GAAP	<ul style="list-style-type: none"> - Conduct study on CMHC requirements - Advocate for policy change to reduce qualified audit opinions - Analyze Canadian Auditing Standard (CAS) 800 - special purpose framework for non GAAP compliance 	Time to research and analyze Establish a full understanding of the intent of the program Time to develop recommendations or alternatives CPA support	SO SAC PA	Significant argument supported by irrefutable information & data showing program is poor Create an alternative(s)	Staff time Consultants?	3.5, 5.1	10

7	<p>Allow CPAs to fulfill continuing professional development (CPD) requirements via FMB</p> <p>Provide other like training to students and promote CPA profession</p>	<ul style="list-style-type: none"> - Develop CPD programming Develop practicum placements for students studying accounting Develop summer employment for students studying accounting 	<p>Permission from CPA Canada and provincial bodies</p> <p>Internship/summer placement/practicum placement recognition</p>	<p>SAC</p> <p>CD</p>	<p>Development of a curriculum that aligns to CPA CPD rules</p> <p>Curriculum would focus on FN accounting, administration and ethics</p> <p>Determine who and how training will be delivered</p> <p>Create job descriptions and education institution recognition on placement for student(s)</p>	Staff time	3.5	14, 19, 15, 22
8	Create ITAG	<ul style="list-style-type: none"> - Establish a national advisory body for Indigenous public sector accounting - Compliment existing FPTM advisory groups 	<p>Funding Support</p> <p>Parties to participate</p>	<p>SAC</p> <p>SO support</p>	<p>Clearly define need</p> <p>Create a mandate to address the need for such a group</p> <p>Differentiate from other similar groups</p> <p>A well defined and clear TOR to align with a governance structure</p> <p>Some Indigenous representation,</p>	Additional staff and time	3.5, 5.1	10

					particularly an Indigenous CPA			
9	Streamline and simplify First Nations Governments' reporting obligations	- Identify redundant requirements - Advocate for simplified frameworks	ISC/CIRNAC to agree to changing reporting requirements	PA SAC (All Client facing FMB), SO Support	A strong issue paper based on knowledge and a full understanding of existing reporting requirements and set of alternatives to present	Staff time Consultants?	3.5, 5.1	10, 25, 6, 12
	Long-Term							
10	Ensure First Nations Governments have adequate resources to employ qualified resources	- Increase Band Support Funding to First Nations governments to cover the actual financial and administrative costs of First Nations governments	Acceptance from ISC/CIRNAC	CD SO PA	A strong issue paper with irrefutable information and data supporting the need for increased band support funding	Staff time	1.1, 1.2, 1.3, 3.3, 5.1	12, 19
11	Shift to multi-year funding agreements	- Expand 10-Year Grant model - Encourage capacity-building to meet grant criteria	ISC/CIRNAC to agree with and provide FNs the resources to meet eligibility criteria	CD/SO (NFR advocacy) PA	A strong issue paper with irrefutable information and data supporting the need for less short-term project funding and more long-term funding NFR table would to suitable forum	Existing costs continue additional costs for more events?	2.1	1, 2, 10

12	Adopt statutory, formula-based transfers for First Nations Governments	<ul style="list-style-type: none"> - Advance legislative changes to simplify funding - Consolidate multiple funding agreements into broader mechanisms 	ISC/CIRNAC to agree with and provide FNs to meet eligibility criteria	CD/SO (NFR advocacy)	A strong issue paper advocating for better funding mechanisms	Staff time Consultants?	3.4	
13	Create an "Indigenous CPA Pipeline"	<ul style="list-style-type: none"> - Promote accounting careers among First Nation youth - Support university and CPA certification pathways 	<p>A platform to reach FN people</p> <p>Partnerships w/ educational bodies</p>	SAC	<p>A long-term strategy of reaching out to FN people</p> <p>A long-term strategy to establishing partnerships and fostering them</p> <p>A support element to FN that engage in this "pipeline", alignment of post-secondary students to PATO</p>	Staff time	2.1	18, 7
14	Offer CPA training placements	<ul style="list-style-type: none"> - Explore expansion of FMB's PATO nationally and to FMS Support Services 	<p>Acceptance and recognition from CPA Canada and provincial bodies</p> <p>Office space to accommodate this program</p> <p>CPA-QC: 10 students</p>	SAC	<p>The Board approving the expansion of offices</p> <p>A CPA working in each office to oversee the PATO</p> <p>Hire CPA students, ideally FN candidates</p>	Staff time	3.5	7, 14

			going through the program					
15	Explore Financial year-end change to better align sequence of financial reporting activities for GBEs and First Nation governments -Will also align with CPA availability	- Consider alternative fiscal-year-end options (e.g., year end of December 31st or June 30th) - Alternatively, could change GBE year ends to December 31st (tax year)	Acceptance from ISC/CIRNAC FN buy-in	SAC CD/PA	A strong marketing campaign targeting FNs to extol benefit of changing A defined process for FN to follow to make the change - i.e.: interim audit Resources to aid in transition Funding from ISC/CIRNAC	Staff time Potentially: additional staff, consultants	3.5, 5.1	
16	Provide accredited Financial governance training for elected First Nations Governments' leadership	- Develop specialized courses (potentially university-accredited) for elected and senior First Nation government leadership - Ensure training covers financial reporting and decision-making	Board mandate A partner to provide this Funding	CD / SO /SAC This type of programming would require broad collaboration IELR would be the lead in notifying Chiefs and Councils	Design a curriculum around accounting & administration with a focus of a separation of the executive from the staff Instill value of good governance A partnership to provide this training - fee for service?/funded?	Staff time Potentially research costs, consultant costs, printed materials		19

	Additional Recommendations							
17	<p>Expand specialized financial support services for finance teams, this could be:</p> <p>A - FMB obtains licensing from the CPA (provincial) and provide additional accounting services</p> <p>B - An FMB associated accounting firm made up of Indigenous CPAs</p> <p>C - Create an FMB certification that endorses CPA firms that have specific knowledge, experience and focus on FNs</p>	<p>- Provide on-demand expertise and advisory services to First Nations Governments: potentially through an Indigenous-led accounting offering or by establishing a network of trusted CPA firms to serve First Nations governments' accounting needs</p> <p>-</p>	<p>A mandate to do any of these options - the Board would need to provide this</p> <p>Acceptance from CPA Canada and provincial bodies</p>	<p>A - SAC or FMS SS - expanded</p> <p>B - New Business Line, i.e.: support, audit</p> <p>C - SAC - new certification process</p> <p>SO: research for any of these</p> <p>CS to develop funding proposal for interns/on-the-job trainees</p>	<p>An issue paper to the Board explaining the three elements of the recommendation</p> <p>Extensive research and costing.</p>		1.1	2, 22, 23, 14
18	Develop specialized accounting training	- Partner with AFOA and others to create/expand	Agreement on what this looks like	SAC to support AFOA	Pulling together FMB to decide what this looks like and getting	Staff time Potentiall	3.2	7

	programs for First Nations Governments	<p>Indigenous-specific accounting and finance training</p> <ul style="list-style-type: none"> - Offer programs tailored to First Nations Government operational structures - Could focus on specific accounting methodologies such as ARO, Year-end procedures, disclosures - Offer as one day or two day courses - Opportunity w/ TULO, want FMB to create content 	<p>A focus on what organization or medium this will be provided on</p> <p>Someone(s) to create the course</p>	<p>CD/FMS SS</p> <p>SO support to SAC if required</p>	<p>mandate from Board</p> <p><i>Is it advocacy or partnership?</i></p> <p>Decide what kind of courses to be delivered, ideally ones with an accounting focus on issues causing annual F/S delays</p> <p>Determine best delivery model for courses, TULO or AFOA</p>	<p>y: low cost if partner with institution already doing this</p> <p>Potentiall y: medium costs; research consultan t</p>		
19	Upgrade accounting systems: Adopt cloud-based accounting systems or accounting software platforms	<ul style="list-style-type: none"> - Identify suitable platforms - Evaluate existing cloud-based options - Negotiate group pricing or consider custom software development - Provide guidance 	<p>Need to know about various accounting programs</p> <p>Define needs of FN accounting and reporting</p>	<p>SAC (evaluation & recommendation) / CD(training /rollout)</p> <p>This could be a</p>	<p>This would need to focus on what a software program for FNs needs to do</p> <p>A focus on functionality, provide a guideline for FNs to use in selecting software</p> <p>Not an endorsement</p>	<p>Staff time</p> <p>Consultan ts?</p>		11

		<p>and support for implementation or</p> <ul style="list-style-type: none"> - Custom software development could also include GBE piece to allow for easy conversion of GBE financials to a consolidated format for FN Gov'ts. <p>or</p> <ul style="list-style-type: none"> - Create guideline for evaluation and selection 		<p>collaborative effort in design, but in delivery it would need to be a single BL</p>	<p>of any program Some discussion on budgeting and costing</p> <p>Supplemental issue paper to ISC/CIRNAC for funding to upgrade systems or replace for appropriate software. Include something on service standards and control</p>			
20	<p>Improve internet connectivity for remote First Nations Governments</p>	<ul style="list-style-type: none"> - Assess existing infrastructure - Collaborate with telecom carriers to extend services - Develop an IT service centre for procurement and support 	<p>What services are available What are the systems needs A business development strategy and someone to engage in it</p>	<p>CD / SO IELR PA</p>	<p>Supplemental issue paper to ISC/CIRNAC for funding to build infrastructure - similar to fibre project in SK, but for satellite services</p> <p>Developing a business plan and establishing funding or someone to get it off the ground</p> <p>Providing a guiding document on selecting an internet</p>		3.2	11

					<p>service, including researching availability of those services</p> <p>Need to include guide on technical support</p> <p>Include something on budgeting and costing</p>			
21	Build a national network of Indigenous, culturally competent auditors	<ul style="list-style-type: none"> - Identify and train Indigenous CPAs - Provide cultural competency training for auditors in the form of what challenges First Nation governments face in completing their accounting and administration duties in such a complex environment. 	<p>Indigenous CPAs, or CPAs with extensive experience working with FNs</p> <p>Board mandate to develop something based on a sensitive topic</p> <p>Guidance on parameters and scope of such a course</p>	<p>SAC</p> <p>CD</p> <p>FMS SS</p> <p>SO</p> <p>IELR</p>	<p>A way to reach Indigenous CPAs, and convince them to form a group focused on providing services to FNs</p> <p>Design curriculum, determine best medium for delivery and who to deliver</p>	<p>Staff time</p> <p>Consultants?</p>	1.3	18, 7
22	Explore creation of a First Nation Auditor General (FNAG)	<ul style="list-style-type: none"> - Conduct research on FNAG mandate - Collaborate with AFN, FN, and 	<p>Federal acceptance of this role</p> <p>FN acceptance of this role</p>	<p>SO</p> <p>CD</p>	<p>A strong basis to justify the need for such a role (depending on its</p>	Staff time		

		Government of Canada for consensus	A definition of what this would do	PA can support advocacy	purpose). It exists, but need to sell the notion that this platform is the right one. If to complete financial audits of FNs, then capacity would need to be addressed. Support from the Auditor Generals office			
23	Develop enhanced disclosure standards for GBE's	- Clarify recommended basis of accounting for GBEs Clarify disclosure requirements and provide optional enhanced disclosure standards for GBEs - Explore AI/digital solutions for consolidation	Cooperation and application from CPA Canada and CPA provincial bodies Acceptance from FNs	SAC CD could provide input from experience SO-DAT could provide technical expertise	Create a set of accounting and reporting standards that align with GAAP and can be examined by GAAS. A determination of what differences there are between a FN business and non-FN business.	staff time, consultants, hardware, software		10, 20

