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# **Standing Committee on Aboriginal Affairs and Northern Development**

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**EVIDENCE**

**Monday, October 29, 2012**

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**Chair**

**Mr. Chris Warkentin**



## Standing Committee on Aboriginal Affairs and Northern Development

Monday, October 29, 2012

• (1535)

[English]

**The Chair (Mr. Chris Warkentin (Peace River, CPC)):** Colleagues, I call to order this 47th meeting of the Standing Committee on Aboriginal Affairs and Northern Development. Today we continue our review of Bill C-27.

For the first hour, we will have representatives from the Office of the Auditor General of Canada. With us today are Mr. Campbell and Mr. Berthelette.

Thank you, gentlemen, for joining us. You know the process. We'll turn it over to you for your opening statement of approximately 10 minutes, and then we'll turn it over to our colleagues to question you.

Mr. Berthelette, we'll turn it over to you.

[Translation]

**Mr. Jerome Berthelette (Assistant Auditor General, Office of the Auditor General of Canada):** Good afternoon, Mr. Chairman

I would like to thank you for inviting the office to speak about Bill C-27, an Act to Enhance the Financial Accountability and Transparency of First Nations.

With me is Ronnie Campbell, Assistant Auditor General, who was formerly responsible for first nations' audits.

[English]

Since 2000, the office has tabled 16 chapters that address first nations and Inuit issues directly, and another 15 chapters that deal with issues of importance to first nations people.

[Translation]

In 1996, we tabled a study entitled "Study of accountability practices from the perspective of first nations". We noted that the relationship between the first nations and the federal government had evolved from direct service delivery by the department to service delivery by first nations. As a result of this evolution, the issue of accountability presented difficulties for both parties. In particular, the accountability of that government to Parliament became more complicated as departments were no longer directly responsible for the delivery of programs at the community level.

At that time, we met with first nations and were told that they were willing to explore ways to ensure that the information needs of Parliament were met, and they stressed the importance of internal accountability. From their perspective, accountability is non-hierarchical and is based on shared objectives. They stated that the

reporting framework was of limited value to them, was onerous, and did little to enhance accountability to the community.

[English]

In 2002, based in part on what we had learned from the 1996 study, we proposed our definition of accountability: a relationship based on obligations to demonstrate, review, and take responsibility for performance, both the results achieved in light of agreed expectations and the means used. We defined five principles that support an effective accountability relationship: clear roles and responsibilities; clear performance expectations; balanced expectations and capacities; credible reporting; and reasonable review and adjustment.

We noted that delivery of programs through partners creates new and complex accountability relationships. In these arrangements, accountability is shared. With respect to reporting, we suggested the need to be clear about the measurement strategy as well as the required information and how it is to be collected, verified, and analyzed, and by whom and when.

In this work, we also stated that transparency is the sustaining element of accountability; transparency implies that one can see clearly into the activities of government. Transparency and accountability mean stronger institutions and more credible government.

[Translation]

Also in 2002, we tabled a study on first nations reporting. We stated that reporting needs to provide meaningful information to first nations and to the federal government and that fundamental change was required to reduce the burden on first nations.

In 2011, we identified four structural impediments that limit the delivery of public services to the first nations and hinder improvements in living conditions on reserves: lack of clarity about service levels; lack of a legislative base; lack of an appropriate funding mechanism; and lack of organizations to support local service delivery.

[English]

We strongly support the principles of accountability and transparency. We hope this background on accountability will be useful to the committee as it reviews the proposed legislation.

Mr. Chair, we do not feel that our office can comment on the merits of Bill C-27. That being said, we would like to make a few remarks on some technical aspects of the bill.

First, subclause 5(1), on how first nations are to maintain their accounts, contains the expression “generally accepted accounting principles” and a reference to the Canadian Institute of Chartered Accountants handbooks. There are currently no accounting standards in Canada that explicitly mention first nations. Although the handbooks referred to in subclause 5(1) are generally pertinent to the activities of first nations governments, they have not been designed or amended to take those particularities of the first nations situation into account.

Second, under subclause 5(2), when auditing the accounts of first nations having transactions that do not easily fit a particular standard, the auditors must assess the acceptability of the accounting framework, including the reasonableness of the accounting policies adopted by these first nations. Different auditors may come to different conclusions for similar transactions.

Third, in clause 6, the requirement for an audited or reviewed schedule of remuneration is unique. This information is normally provided as a note to the financial statements or as supplemental information in an annual report. There are no accounting standards made applicable to the preparation of this schedule of remuneration or to the auditor's report or review engagement report. Also, it is not clear who would decide, and on what basis, whether the schedule is to be audited or reviewed. This ambiguity increases the risk of confusion and inconsistent practices.

Finally, the definition of remuneration in clause 2 combines both salary and reimbursement of expenses. When other levels of government report salary and reimbursement of expenses, they do so separately. Among other things, this ensures a clear distinction between official salaries and wages and the reimbursement of travel and other expenses. For example, at the federal level, there are separate disclosure requirements for salaries and for travel and hospitality expenses.

Mr. Chair, this completes my opening remarks. We would be glad to answer any questions the committee members may have.

● (1540)

**The Chair:** Thank you very much. We appreciate that opening statement.

Colleagues, you'll recall that when we invited members and representatives from this office we did it explicitly with the understanding that they wouldn't be commenting specifically about the merits of this legislation, but rather about what they've spoken about in terms of their past studies, as well as the suggestions they've made with regard to this legislation. I just want to remind colleagues of that.

We'll turn to Ms. Crowder for the first 10 minutes.

**Ms. Jean Crowder (Nanaimo—Cowichan, NDP):** Thank you very much.

Thank you, Mr. Campbell and Mr. Berthelette.

In point 13 in your presentation you refer to the point that “[t]his information is normally provided as a note to the financial statements or as supplemental information in an annual report”. I know that other witnesses who have appeared before the committee have talked about the fact that the audited financial statements will provide that financial piece, but they actually don't provide information on performance. Is that in part what you're referring to with regard to annual reports?

**Mr. Jerome Berthelette:** Well, in terms of annual reports, I think we have to make a distinction between annual reports and general financial statements. General financial statements generally form part of an annual report that a first nation chief and council might prepare for the purposes of reporting to their community.

That annual report will contain audited financial information and non-audited financial information. It will contain statistics about performance, and it will also include information about outputs, such as how many children are in the school, for instance.

Generally, these general financial statements form a part of annual reporting, but are not in and of themselves an annual report to the community.

**Ms. Jean Crowder:** But the general financial statements themselves actually don't provide that information around outputs and around performance, around numbers of children served, as you said, and numbers of houses built. A requirement to just provide audited financial statements without that context actually can't help members determine whether or not they're getting good value for their dollar.

**Mr. Jerome Berthelette:** In terms of the performance report, there are limitations that come with general financial statements, audited financial statements, but they do provide the community members with assurance that the accounts of the first nation are as they are stated in the financial statements. They can go to the financial statements and see where the community is expending, where the chief and council are expending the dollars that come from the federal government.

It provides some performance, particularly on the financial side, in terms of a clean opinion or not a clean opinion. If you have a clean opinion, you have high assurance that the accounting is good within the community.

● (1545)

**Ms. Jean Crowder:** What would you say about the level of expertise required to accurately interpret an audited financial statement?

**Mr. Jerome Berthelette:** In answering that question, maybe what I could do is refer the honourable members to *Financial Reporting by First Nations*, a CICA study copyrighted in 2008. In that report, it speaks to the issue of capacity and what is required from first nations in capacity building, if in fact the *CICA Public Sector Accounting Handbook* were to be applied on the reserves.

It says that there would be a need to develop the capacity among the statement preparers within the chief and council. There would be a need to develop the capacity among the members to understand what is in the financial statement, which can be complicated and requires some explanation in order for a user to be able to understand exactly what is being said. It might also require some capacity building on the part of the auditors, who would have to look at their staff and make sure they have the ability to apply this standard in a first nations situation.

**Ms. Jean Crowder:** Thank you.

In a letter to the committee from the Canadian Bar Association, they reiterated a number of the reports that your office has done over the years, and they indicated that part of the recommendation of the last 2011 report from your office said:

[W]e remain concerned about the burden associated with the federal reporting requirements, particularly related to INAC's contribution agreements with First Nations. Many initiatives with the potential to streamline reporting have been started but have not resulted in meaningful improvement.

That was in 2011. Would you be able to comment on whether there's been any shift since that time, in terms of the reporting burden that's already faced by first nations?

**Mr. Ronnie Campbell (Assistant Auditor General, Office of the Auditor General of Canada):** Thank you, Mr. Chair. I'll take that question, if I may.

No, we conducted the audit and tabled it in 2011. We noted there that the reporting burden, as something we reported several years ago, still remained a significant issue. That was in 2011. We've not gone back and audited that since.

**Ms. Jean Crowder:** What we know from your previous reports is that...I believe one number was an average of 168 reports a year, which tabled out to something like roughly 60,000 reports over 600 first nations. We already know that first nations do a significant amount of reporting to the federal government right now. My understanding is that the recommendations around reducing financial burdens have been made but not responded to in any way since, in terms of a formal process from your office.

I'm trying to be careful, because of course you can't comment on the merits of this bill, but you have first nations—many with fewer than 500 members—who are already facing tremendous numbers of reports. Some will not have the capacity, for example, to provide Internet reporting, and many do not have the capacity to actually interpret the reports that have already been done.

I'm concerned that by putting another burden, a reporting requirement, on first nations without removing something else may lead to a job not particularly well done.

**The Chair:** We have a few seconds left. If it's possible, please give a short answer.

**Mr. Ronnie Campbell:** I didn't have a short answer in mind, but I'll try. Thank you, Mr. Chair.

I think all first nations are already audited. Without my venturing into commenting on the bill, as I think I understand it, the bill introduces some requirements in relation to the audits that have already been conducted.

**The Chair:** Thank you.

We'll turn to Mr. Richards now, for seven minutes.

**Mr. Blake Richards (Wild Rose, CPC):** Thank you, Mr. Chair.

I certainly thank both of you for being here today. I know that you obviously have great expertise in the subject matter, so it's much appreciated that you're here to share that expertise with us.

Obviously, accountability and transparency are, I believe—and I'm sure you would agree—key elements for governance, and for good governance, which is something that our government has taken quite seriously. You only have to look at one of our first acts as a government, the passing of the Accountability Act, to see that.

You obviously have some expertise, and I'd like to hear from you a little further. Can you give this committee some background in terms of some of the basic principles or basic practices that relate to this subject matter of financial transparency and that governments in Canada are expected to follow? Could you share some of those basic principles and basic practices that governments in Canada are expected to follow as a matter of course?

• (1550)

**Mr. Jerome Berthelette:** Well, Mr. Chair, I think we have to start from the relationship between the first nations and the federal government. Under the grants and contributions agreements that first nations signed with the federal government, there are reporting requirements—

**Mr. Blake Richards:** I'm sorry. I don't want to interrupt you. I wanted to just clarify my question.

**Mr. Jerome Berthelette:** Sure.

**Mr. Blake Richards:** I think it may have been misunderstood.

What I'm asking for specifically now is just a basic overview. When we look at government in general in Canada, what are some of the basic principles or practices in terms of accountability that would be expected of governments in Canada?

**Mr. Jerome Berthelette:** I'll take the federal perspective. It's the one I'm most knowledgeable about.

First we look at it from a department's point of view. Departments develop reports on plans and priorities. They develop DPRs, the departmental program reports. They are responsible for maintaining their books of accounts. The books of accounts get rolled up into the *Public Accounts of Canada* and are audited by our office. These are available on the website to anybody who wants to take a look at them.

**Mr. Blake Richards:** If you take a look at the basic principles behind that specific example you've given me, would you say that those types of principles currently apply to first nations governments in Canada?

**Mr. Jerome Berthelette:** First I have to say that when we talk about the federal government, we talk about an accountability framework that has evolved over time. What we have now is not what was in place years ago, right? We have a pretty integrated and complex accountability framework.

First nations, we have to understand, generally have populations of about 500 people, so when we talk about an accountability framework for a population of about 500 citizens, I think we have to keep in mind that it cannot be and will not be as complex as what we see federally. What you see when you visit a community is an accountability system that is based on a day-to-day interaction between the chief and council and the community members. I would not want to be a chief or a councillor in a community, because a chief and councillors are available to the community 24 hours a day, seven days a week, to resolve a host of problems that in many cases are irresolvable?

You have that accountability, and you also have the accountability that comes from running a program. If they run an education program, they do have to account to their community members in terms of how that education program is operated. In some communities, this means that the education director or the principal will meet from time to time with community members or may file a report with the band council. That report may be shared with the community. Chiefs and councils go out of their way in some communities to have their meetings open to the public, including broadcasting them over the radio.

The accountability framework within each community does vary from community to community.

**Mr. Blake Richards:** Because I have limited time, and I think I have the basic premise of your response, I'll just move on, if I can.

As I look at local governments, I'll use my province as an example. I'll use the City of Calgary and the City of Edmonton as examples. When they publish their audited financial statements, in their notes they specifically include the salaries and benefits of their elected officials.

I'm just curious. Based on that and your experiences in the Office of the Auditor General, how do the standards that are set out in this bill for first nations governments compare to those of other governments, like the examples I've used, to other aspects of governments in Canada...?

• (1555)

**Mr. Jerome Berthelette:** I think the general accountability frameworks across governments tend to be quite similar.

**Mr. Blake Richards:** But specifically when I talk about the disclosure of salaries in the audited financial statements, you would say that this bill would compare with those standards elsewhere in Canada?

**Mr. Jerome Berthelette:** I'm not really in a position to be able to answer specific questions about all the other governments' financial statements.

**Mr. Blake Richards:** I'll use the specific example of the two cities in my home province of Alberta, Calgary and Edmonton. Those cities have included that in their audited financial statements. I'm curious as to whether you'd see this as being in line with that type of disclosure.

Mr. Campbell, did you have a response?

**Mr. Ronnie Campbell:** Yes. I think this bill is calling for some similar types of information. I think Mr. Berthelette mentioned a couple of things.

One, you don't tend to see them in with the financial statements. For example, here in the federal government, it's public knowledge, available to the public, what the salary scales are for senior officials. For folks like you, on the Internet there's all your travel and hospitality, completely separate but transparent, as opposed to being part of the financial statements.

**Mr. Blake Richards:** What it boils down to is that, in most instances in Canada, the salaries of elected officials are disclosed publicly, correct?

**Mr. Ronnie Campbell:** That's correct.

**Mr. Blake Richards:** Thank you.

Now—

**The Chair:** Thank you, Mr. Richards. You have less than eight seconds left. I'd hate to have you get into another question and not have time for the answer.

**Mr. Blake Richards:** All right. Well, you're cutting me short here, Mr. Chair, but I also have to accept your verdict.

**The Chair:** We'll give it to Ms. Bennett. Now we have your full allocation of time.

Ms. Bennett, we'll turn to you, for seven minutes.

**Hon. Carolyn Bennett (St. Paul's, Lib.):** Thanks very much.

I just need clarification, Mr. Chair, as to when we'll deal with our motion about bringing part of the budget implementation bill to this committee. Will we vote on the motion today?

It's not only the part that, as I understand it, has been understood in terms of the Indian Act. We were also asking that the expertise around aboriginal fishing rights be brought to this committee as well.

**The Chair:** If there's consensus from the committee, I think it would be best if we dealt with that at the end of the meeting. But we should allocate some time for that, if in fact...

**Hon. Carolyn Bennett:** Okay.

**The Chair:** I think there's a sense that that's the appropriate time to deal with it. So we'll do that.

Thanks, Ms. Bennett.

**Hon. Carolyn Bennett:** Thank you.

Thank you for coming. I'd just like to follow up on my colleague's questions around the burden of reporting.

There seems to be quite a difference in opinion. The minister has stated clearly that this act will reduce the burden of reporting for first nations, whereas the first nations themselves are concerned it will increase the burden of reporting. I know you're not allowed to talk about the bill, as it is technical, but could you just tell me whether...?

I'm not clear how this could reduce the burden of reporting, based on your concerns from 2002 and the fact that you hadn't seen any progress in 2011.

Can you let the committee know how you think this bill will affect the burden of reporting?

**Mr. Ronnie Campbell:** Thank you, Mr. Chair.

I don't know how this bill will affect the burden of reporting. If the requirements that are in place are to adjust what's currently done in terms of reporting.... Each first nation gets audited every year by an accounting firm and posts the results. If it's just an adjustment to what's already happening, then it doesn't need to be an addition to the reporting burden.

The reporting burden, in relation to first nations, is driven in large part by how they're funded, through a myriad of contribution agreements with all of the conditions in them and all the reporting requirements in individual agreements. That's where the big flood of reporting gets this requirement from.

I would say that unless and until that changes, it's difficult to see how the reporting burden will be significantly lessened.

**Hon. Carolyn Bennett:** I wonder if you've had a chance to see the proposed amendments that Chief Darcy Bear put before this committee. We saw them when we travelled to his community in the spring.

We were hoping that the minister and the government would accept them. I think they deal with some of the concerns you had in the technical aspects of the bill, separating remuneration into both salary and reimbursement, and also the issues around the open books on band-owned businesses.

Have you had a chance to look at them?

•(1600)

**Mr. Ronnie Campbell:** No, we haven't.

**Hon. Carolyn Bennett:** Okay.

I think, Mr. Chair, sometimes, when there have been concerns like this, it would be interesting for us, after we've seen the amendments...and hopefully they'll be government amendments.

Again, we would love your feedback on whether or not you think that would deal with some of the concerns you've outlined here in your opening remarks on the technical aspects of the bill. Would you be able to do that and let the committee know?

**Mr. Ronnie Campbell:** I'm sure, Mr. Chairman, that we would accept any invitation from the committee, as long as it is kept to those things that we're competent to speak about.

**Hon. Carolyn Bennett:** One of the concerns from when we first met with the officials...they didn't seem to keep track of the number of complaints from community members about the transparency. Yet this bill seems to have risen out of a concern that community members had to go to the minister if they had concerns, in order for the minister to be able to enact or enforce the transparency.

In any of your previous audits, did you find how many complaints would come from a community to the minister?

**Mr. Jerome Berthelette:** Mr. Chair, we don't have that particular information.

**Hon. Carolyn Bennett:** But in the satisfaction of carrying out its job, do you think those are numbers that the department needs to keep? It's also to find out how many people they're coming from, because sometimes you get 200 complaints from two people.

**Mr. Jerome Berthelette:** Mr. Chair, I think that's probably a question that is best posed to departmental officials.

**The Chair:** I think you will be hearing again from departmental officials, Ms. Bennett, and we can maybe direct that to them.

**Hon. Carolyn Bennett:** Okay.

With regard to the separation of salary and expenses, you've said that in point 14.... I mean, this is serious sticker shock in this big huge country, in terms of how much it costs for people to travel to represent their communities at meetings and those kinds of things.

Would you be able to say in a recommendation that "thou shall separate those two", so that people don't think that's actually what chief and council are taking home?

**Mr. Jerome Berthelette:** Mr. Chair, I think in terms of providing the best information to the users of the financial statements, it would be a good idea to separate salary from expenses from honoraria.

**The Chair:** Thank you, Ms. Bennett.

We'll turn to Mr. Wilks now, for seven minutes.

**Mr. David Wilks (Kootenay—Columbia, CPC):** Thank you, Chair.

Thank you, gentlemen, for coming today.

I have a few questions, which I'll try to get through here, but take your time on the answers, please.

Is the financial information of entities that are essentially owned by the Government of Canada or a provincial government presented somehow in the financial statements of the governments, and how is that presented?

**Mr. Jerome Berthelette:** Mr. Chair, according to the *Public Sector Accounting Handbook*, the business enterprises of a government would be consolidated into the financial statements. It would be consolidated on a modified equity basis, which means that the income would be shown, and the net assets. So it's at a high level of consolidation.

**Mr. David Wilks:** When you refer to net assets, can you give me some form of definition of that?

**Mr. Jerome Berthelette:** That's getting into a level of detail about PSAP that I don't have. I'm a lawyer by training, and what I've learned about accounting, I've learned from my colleagues and through my experience on the study group.

**Mr. David Wilks:** You made a good choice, being an accountant.

**Mr. Ed Holder:** Ouch.

**Mr. David Wilks:** Thank you very much for that.

One of the interesting things we've heard here, and I want to expand upon it a bit, is with regard to the publication of financial information on entities. Let's use, for example, crown corporations that the Government of Canada owns or oversees. Do you believe that the divulgence of that information from the Government of Canada on crown corporations undermines their competitiveness in any way?

•(1605)

**Mr. Jerome Berthelette:** Mr. Chair, the office is the auditor of a number of crown corporations, and I understand those financial statements are shown on websites of crown corporations.

I'm not sure I can answer the question about the competitiveness of crown corporations. They tend to operate in an area where competition may not exist to the same extent as in the private sector, so I'm not sure the issue of competition really exists.

**Mr. David Wilks:** Thank you very much.

I'll just expound a bit on what Mr. Richards spoke about earlier.

With regard to municipal and regional government in British Columbia, which I'm familiar with, being an elected official for nine years in the municipal and regional government, we had to divulge annually our "wage", as they call it in British Columbia, and the remuneration of mileage, meals, etc., and travel. Further, that was legislated under the municipal act and the local government act.

On top of that, we also have to divulge any shares we may hold in companies so as to ensure that we don't have a conflict of interest when it comes to executing our duties.

From the perspective of this bill moving forward or what you've dealt with in other crown corporations, do you see this as a potential implication for anything that might move forward with regard to this bill?

**Mr. Jerome Berthelette:** I'm not sure, Mr. Chair, what the honourable member means by "implication".

**Mr. David Wilks:** Well, by divulging what I am involved in, in other companies... For instance, I must divulge to the federal government that I own a business, and this is the business, and I have  $x$  amount of shares in it. I must ensure that I let you know that, because if this ever comes up as a topic of conversation, then I must either excuse myself or allow myself to stay in that conversation as long as it's not pecuniary to me.

Going along those lines with first nations, if a first nations person owns a business outside of mayor and council—you can pick whatever that business is—divulging that as part of an income and/or part of an invested interest, personally, do you see that as an implication with regard to divulging salary remuneration and/or other opportunities of monetary input yearly as a part that would be something that would take away from their ability to do their job?

**Mr. Jerome Berthelette:** Mr. Chair, I think there are two aspects here that I'd like to address.

Perhaps the first aspect is that within the communities, conflict of interest issues do arise. In the communities that I've had the chance to visit, they're often dealt with much in the same manner as they are dealt with off reserve. There's a disclosure, and the councillor will remove himself or herself from the discussion, and the council will vote on the issue at hand.

So it does happen in the communities. I can't say it happens in every community. I'm not familiar with every community. But the issue of conflict of interest is one that is discussed by first nations, by the chiefs, by councils, and when we visit communities, they're aware of the issue.

This particular act has a particular point to it, Mr. Chair, and it doesn't quite go as far as the member has suggested. I don't think I'm in a position to suggest that it should or it shouldn't go in that direction.

**Mr. David Wilks:** Okay.

Along that line, I think with regard to divulging the information that is set out in this bill and/or any other legislation for a provincial or federal government, it's more so to protect the individual than it is to do anything else. Would you agree with that?

• (1610)

**Mr. Jerome Berthelette:** Yes, Mr. Chair, I agree with that statement.

**Mr. David Wilks:** With regard to this bill...and I know you cannot speak to the bill, but in relation to that, what I'd like to get across is that to ensure that each chief and councillor is protected to the best of their ability, full disclosure is not a bad thing. There comes a point in time where something comes up with a mayor and council, where pecuniary comes up, and you at least have the opportunity to say, "I have a problem here. I need to remove myself."

If we don't divulge it, that's when we run into problems. Agreed?

**Mr. Jerome Berthelette:** Mr. Chair, I agree with that statement.

I would just point out that this piece of legislation is very narrow in its scope. It may be that the committee or the government may want at some point to engage the first nations in the discussion of the broader issues related to the accountability framework within first nations.

**The Chair:** Thank you very much, Mr. Wilks.

We'll now turn to Mr. Genest-Jourdain, for five minutes.

[Translation]

**Mr. Jonathan Genest-Jourdain (Manicouagan, NDP):** Good afternoon, Mr. Berthelette. Do you understand French fairly well?

**Mr. Jerome Berthelette:** I do speak French. I will try to respond in French.

**Mr. Jonathan Genest-Jourdain:** In your opening statement, you mentioned the specific context of first nations and the reason for which bookkeeping, that is to say the Canadian Institute of Chartered Accountants' handbooks, was difficult to apply to the first nations' context.

Could you please tell us about the realities and the context that differ for first nations, and the reason for which it is difficult for these communities to make use of these Canadian Institute of Chartered Accountants' handbooks?

**Mr. Jerome Berthelette:** I will begin by saying that applying the PSAB would be good for the community, since first nations are also governments. Therefore, the policies or guidelines found in the handbook may be applied to first nations.

Forgive me, I have forgotten the second part of your question.

[English]

**Mr. Jonathan Genest-Jourdain:** You can answer in English if you want. It will be easier that way.

I was just wondering what differences there are with the communities of first nations, and the reason why we can't apply to those the *Manuel de comptabilité de l'ICCA pour le secteur public*.



[Translation]

**Mr. Jerome Berthelette:** The situation of first nations and that of other governments do not differ greatly. First nations are governments. They therefore find themselves in the same position as other governments. They must use accountants and have an accountability framework in place, as far as relationships with their members, the government and other individuals go.

[English]

with whom they interact—partners, businesses, banks. So they're in the same situation as any other government in their accountability relationships. In that sense, the handbook should apply to them.

[Translation]

**Mr. Jonathan Genest-Jourdain:** You also mentioned problems associated with combining salaries and reimbursed expenses when reporting the remuneration of officials, as well as travel expenses.

In your opinion, Mr. Berthelette, what potentially negative or positive consequences would follow if we did proceed to aggregate financial information pertaining to salaries, reimbursed expenses, travel costs and other expenses, as per the bill we are currently reviewing?

**Mr. Jerome Berthelette:** Mr. Chairman, I will respond in English.

[English]

To have a statement of one amount per chief and council member that incorporates salary, expenses, and honoraria would lead a user to believe that the amount there is all salary, when in fact it's not all salary.

[Translation]

**Mr. Jonathan Genest-Jourdain:** Thank you.

How many minutes do I have left?

[English]

**The Chair:** You have one minute and a half left.

[Translation]

**Mr. Jonathan Genest-Jourdain:** In that case, I will share my time.

[English]

**Ms. Jean Crowder:** Thank you.

I want to follow up on the issue of the current reporting that first nations do. In a statement before the committee, Mr. Paul indicated that all information required by the new act is already being provided by the first nations in Canada to AANDC as per their existing funding agreement over years and decades. Only last year, the issue was pushed to the forefront, and now a bill will require all first nations to comply or else INAC or AANDC will release the information, and as a last resort all funding would be stopped.

Without commenting on the bill, in your experience, do the reports currently between the federal government and first nations—I mean, there are audited financial statements. I assume that some of the remuneration, own-source revenue is reported to federal governments as it is currently.

●(1615)

**Mr. Jerome Berthelette:** Mr. Chair, as I understand it, first nations are required to provide consolidated financial statements. They're required to provide them in accordance with the *CICA Public Sector Accounting Handbook*. They are also required to prepare a schedule of remuneration.

**The Chair:** Thank you, Ms. Crowder.

We'll turn now to Mr. Rickford for the last five minutes.

**Mr. Greg Rickford (Kenora, CPC):** Thank you, Mr. Chair, and my thanks to the witnesses for coming today.

Understanding the parameters under which you have graciously agreed to come here and provide some input, I think it bears mentioning at the outset of my comments and questions that I appreciated that in your speech you identified four subclauses of one particular clause. Despite you not being aware that we had heard from a first nation as a witness on this, and they did in fact submit proposed amendments, it's fair to say two things. One, this committee is seriously considering these amendments. In fact, the government is looking at advancing these amendments. That's important for our discussion today because they deal in two instances with the substance of why you raised them. Specifically, I believe you laid out in paragraph 14 your concerns with respect to clause 2, and in paragraph 13 you referred to clause 6. Not having seen those amendments, gentlemen, I'm not asking you to comment, but for the benefit of my colleagues at this committee, and perhaps for your general knowledge, we would be happy to say that we're looking at those amendments. I think they deal with issues that may be preoccupying us all.

Gentlemen, I'm going to change the channel very briefly and talk about what's on the mind of some of my colleagues, particularly those across the way. In fairness and out of respect for them, I'd like you to comment on your understanding of any improvements subsequent to the reporting initiative we launched in July 2010 to address various issues raised by the Office of the Auditor General. I refer to recommendations coming from the 2006 independent blue ribbon panel on grants and contribution programs and the policy on transfer payments released by the government in 2008—that's a mouthful—particularly with respect to risk-based reporting. Could you comment on any improvements, either with respect to those or to formal reports in terms of that load being reduced?

**Mr. Jerome Berthelette:** We have not actually done a follow-up of the most recent report—which Mr. Campbell will speak to—but I've had some discussions and interactions with departmental officials. They have advised me that the department is undertaking a review of the reporting requirements. They are working in particular with Health Canada's First Nations and Inuit Health Branch to look at how, between them, they can reduce the reporting requirements. That is something that is fairly recent; it occurred after the 2011 report. Considering that between those two departments they represent 80% of the funding that goes to communities, and that 80% of the funding is what generates the reports, I'm hopeful that the departments will succeed in reducing reporting requirements through that exercise.

**Mr. Greg Rickford:** We look forward to that scrutiny from the Auditor General. This initiative, started by a senior official in the department, has seen what we would consider to be significant reductions in ad hoc and informal use of reports. At the end of fiscal year 2010-11, there were more than 4,800 reports. At the end of fiscal 2011-12, that number appears to be falling significantly to just over 800. With respect to formal reports, a little bigger challenge, there still seems to be every indication that this will be reduced in the 20% range. This is a fairly strong indication that what we do with our reports is related to why we require certain kinds of reporting under certain kinds of agreements.

Did you want to comment on that, Mr. Berthelette or Mr. Campbell?

• (1620)

**Mr. Ronnie Campbell:** As members will know, the Auditor General has commented on several occasions on the reporting burden placed on first nations. The last time we did so was in the spring of 2011, at which time we hadn't observed a notable improvement at all. It will be with some interest that at some point we'll follow up and determine if this has indeed improved.

**Mr. Greg Rickford:** Would you agree, though, Mr. Campbell, that the pilot projects we have under way in communities, in which the communities report directly to their citizens as part of this initiative, rather than reporting to the department, would be a useful exercise?

**Mr. Ronnie Campbell:** Yes. I mean, accountability between first nations and the federal government is one issue, but within first nations is another issue. Certainly, for people who have an interest, whether it's people who have an interest in a company or a community, the more information they have and the more transparency there is for them, the better.

**Mr. Greg Rickford:** Do I have more time, Mr. Chair?

**The Chair:** No, Mr. Rickford. Your time is up.

Colleagues, that is the end of our first hour.

We want to thank each of you for coming today, Mr. Campbell and Mr. Berthelette. We appreciate your testimony and your willingness to answer our questions as well.

Colleagues, we'll suspend for a few minutes to get the next witnesses up.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

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• (1625)

**The Chair:** Colleagues, we'll call the meeting back to order. This is the second hour of meeting number 47 of the Standing Committee on Aboriginal Affairs and Northern Development.

For the second hour, we have witnesses from the Aboriginal Financial Officers Association of Canada. With us today we have Mr. Soonias, as well as Mr. Goodtrack.

Thanks so much for coming in. We appreciate your willingness to bring us your opening statement and then allow time for questions.

We'll turn it over to you now for approximately 10 minutes, and then we'll begin with questioning.

**Mr. Terry Goodtrack (President and Chief Executive Officer, Aboriginal Financial Officers Association of Canada):** First of all, I would like to thank the Auditor General's office for presenting. Certainly, at AFOA Canada, we believe in many of the things the Auditor General said. We appreciate following the Office of the Auditor General.

Thank you, Mr. Chair, vice-chair, committee members, colleagues, and friends for this opportunity to speak on the substance of Bill C-27, the First Nations Financial Transparency Act.

My name is Terry Goodtrack, and I am the president and chief executive officer of the Aboriginal Financial Officers Association of Canada, or AFOA Canada. With me is Dana Soonias, who is the AFOA Canada chair.

It is the views of the AFOA Canada membership and these views alone that I express.

The Aboriginal Financial Officers Association of Canada is a non-political, not-for-profit organization. Our mission is to contribute to aboriginal social and economic prosperity by building a professional workforce that supports effective governance and administration. The bill before this committee speaks to goals that are at the very core of AFOA Canada's mandate. AFOA Canada not only agrees with the principles of transparency and accountability, but has spent over a decade developing capacity development tools and products to advance these principles in all aboriginal communities across Canada, including Inuit, Métis, and first nations communities.

Our resources and products include education, certification programs, and the development and promotion of aboriginal finance and management credentials, including the certified aboriginal financial manager, or CAFM, designation. The CAFM designation is based on rigorous competency and ethical standards and a combination of education and experience requirements. It is quickly becoming the preferred designation for aboriginal finance and management professionals. We're very pleased to be able to say this, and pleased also to have been approached by the Canadian Institute of Chartered Accountants to weigh in on the *CICA Public Sector Accounting Handbook* as it relates to first nations reporting.

As mentioned by the Auditor General's office in 2009, a number of AFOA Canada professionals were part of a study group on financial reporting by first nations. This group of AFOA Canada professionals and other interested parties, including the Office of the Auditor General, recommended to the CICA that the common government reporting model described in the *CICA Public Sector Accounting Handbook* should apply to first nations governments.

Unfortunately, this is the first opportunity AFOA Canada has had to participate in Bill C-27. From AFOA Canada's perspective, the underlying principles of Bill C-27 are laudable. Canadian citizens may view this proposed act as primarily a financial issue associated with fundamental principles of transparency and accountability. However, we feel as though this proposed bill touches upon broader issues, some of which have been raised here by first nations leaders. We would like to discuss these and related issues from a slightly different perspective. One question our members are asking is why this proposed bill is necessary.

The requirement for consolidated audits and disclosure of salaries, honoraria, travel, and other remuneration has been within the funding agreements between first nations and the federal government for over 15 years. It is included within an AANDC document entitled the *Year-end Financial Reporting Handbook*, with which first nations must comply. Failure to comply means that the federal government withholds funding from the first nation. When we examine the requirement for preparing and disclosing consolidated audits, a question arises when these audits are considered under the lens of accountability. That question is this: accountability to whom, and for what?

We've heard our members working in first nations communities clearly state that they have no disagreement with providing consolidated audits and salary disclosures for their members. This is the primary accountability of first nations. In terms of the accountability relationship between first nations and the crown, our first nations members have no issue with providing financial information on the funds provided by the federal government. Why is it necessary to disclose to the federal government, or to the general public, including potential competitors to first nations businesses, those funds that are not provided by federal government transfers, such as own-source revenues?

• (1630)

It should be noted, however, that first nations do provide consolidated audits to the federal government because it is a requirement within the funding agreement and in the year-end reporting handbook. However, the federal government cannot disclose this information to the general public because it is protected as confidential under another piece of government legislation called the Access to Information Act.

I bring to your attention the Sawridge decision, which may have some bearing on this issue.

In terms of comparability, I ask, does this act hold first nations to a higher standard, a lower standard, or to the same standard as other like entities?

The schedules of salaries, honoraria, and travel of different levels of government have different models. Some, such as those of the Province of Ontario, have a threshold where salaries must be disclosed over \$100,000, with taxable benefits, or there are the municipalities within the Province of British Columbia, where the remuneration over \$75,000 is disclosed.

In terms of when audits are due, first nations are required to finalize and submit their audits 120 days after the fiscal year-end, which is July 29. Yet the Province of Ontario tables their public

accounts before the assembly 180 days after year-end, except in extraordinary circumstances. The federal government must lay the public accounts before the House of Commons on or before December 31.

The current bill reads that the requirement is that a first nation's consolidated audit shall remain accessible to the public on an Internet site for 10 years. We are uncertain why this length of time was chosen.

We would like to discuss another issue, the issue of administrative burden. As stated earlier, consolidated audits have been a requirement since the mid-1990s. This is a generally accepted accounting principle in accordance with the CICA handbook. As mentioned earlier, AFOA Canada was part of recommending to the CICA's Public Sector Accounting Board that the first nations adopt the common government reporting model.

There is, however, a second document produced by AANDC that further defines additional administrative financial reporting, entitled the *Year-end Financial Reporting Handbook*, as amended from time to time. The additional schedules are introduced through this document, and many times at the very last minute, to accommodate the different funding mechanisms used by the federal government. The last introduction of these schedules was released May 2012 and applied retroactively to the previous year. This caused confusion among our members on what was actually required.

AFOA Canada was not involved in providing input to these financial schedules. When I review the requirements of the schedule of salaries, honoraria, travel, and other remuneration for the first nation or by any entity it controls, I can see that this will add to administrative costs.

Further clarification is required on what "including their personal capacity" actually means within the proposed bill, or whether this is an audited schedule. The act does not specify that it should be an audited schedule, yet the AANDC's year-end reporting handbook requires that it receive an auditor's attestation.

These types of reporting lead to increased costs. Who pays for these additional costs?

To further complicate matters, these types of administrative burdens are being introduced at a time when the government is cutting tribal council advisory services in financial management. Who will provide advisory services to first nations if and when required?

We have also noted that there is much discussion on comparing first nations to other governments. Minister Duncan mentioned first nations governments in his testimony here as a witness, yet the words “first nations governments” are not stated within this proposed bill. We ask, why are we comparing first nations to other governments when even this proposed bill does not acknowledge first nations as governments? Without this clarity, we are concerned that this proposed bill may be wrongly construed as requiring a group of Canadians to do more than what is asked of any other group of Canadians.

Is this act necessary? Without addressing the concerns that we have raised, AFOA Canada cannot support the current Bill C-27 as written. If it is to go forward, here are some recommendations.

• (1635)

AFOA Canada recommends that the committee undertake the following amendments: view this proposed act through the lens of accountability, to whom and for what; ensure that first nations are not required to do more than truly comparable entities; ensure that the requirements of this proposed legislation do not increase administrative burden without ensuring that funding of these costs is a factor; ensure that AFOA Canada is involved in any changes to the year-end reporting handbook that affect first nations financial statements and that it is resourced accordingly to undertake this work; and state within this proposed legislation the word “government” after the words “first nations”.

Thank you again for this opportunity to speak on a very important matter.

**The Chair:** Thank you very much.

I should just mention to the witnesses that we do want to thank you for taking time out of your important schedules to be here.

We'll turn now to Mr. Bevington for the first seven minutes.

**Mr. Dennis Bevington (Western Arctic, NDP):** Thank you.

I want to thank you, witnesses, for coming in here and putting your case so very clearly to us. It is certainly what we've heard over and over again from first nations who have presented in front of us, the issues that you have identified in common.

There are also other issues that have come up. The gentleman presenting from the First Nations Financial Management Board, Mr. Calla, talked about how this bill wouldn't even cover everything that should be known in terms of reporting relationships, and about how, if you were really trying to dig into the remuneration relationships, this would not really get there.

Very interestingly, he also said that this bill didn't offer anything for improvement, as he felt that the financial report—a yearly financial report—gave a direction to what was going on with an audit. Do you want to comment on those things?

• (1640)

**Mr. Terry Goodtrack:** The relationship we're looking at here is between the first nation and its citizens. We know that when they produce the consolidated audit...as I mentioned in my speech, first nations and our members have no issue with providing full disclosure to their members.

What I tried to convey is that this is nothing really in addition, in the sense that this has been a requirement since 1995 through the year-end reporting handbook. I think it's important to outline that once you produce an audited financial statement...I've always found that it's very difficult for anybody to interpret what the financial statement actually says. There have to be other types of information included in this for the citizens to understand what that may be.

We started a pilot project at AFOA Canada that is looking at the notion of interpreting financial statements for aboriginal citizens, and that's happening in the Mathias Colomb Cree Nation out of Manitoba. We're trying to come up with some different methods and indicators of interpreting financial and performance information so that citizens can actually understand the financial statements better.

In addition to that, we have another important initiative that is trying to increase the financial literacy of community members.

So we have those two initiatives going on at the same time.

**Mr. Dennis Bevington:** When it comes to expenses for travel and those types of things...when people travel, they may charter a plane. They may have a relationship with others.

How would an accountant sort out the precise numbers that should be charged to each individual for many of the group activities that take place on the part of first nations when they travel? To me, this would be a headache of immense proportions.

When I think of the travel that takes place in my riding by first nations—chief and council, chief and administrative officers—on a regular basis, things are not laid out like the travel of a member of Parliament. We're very specifically attached to our travel expenses.

Do you want to comment on that, and on the cost of accounting to determine the relationship of those expenses to each individual?

**Mr. Terry Goodtrack:** As an accountant, you would have to go back and change your chart of accounts and ensure that you can classify those categories appropriately. To undertake that for the first nations reporting entity, and then all of its entities subsequent to that, would mean increased costs to roll it all up.

Then you would have to ensure that you're going to receive the same type of information from the band businesses, from the other non-profits, from the other unincorporated enterprises and roll it up to a specific schedule. There certainly will be costs to that, and especially at a very difficult time, which is the year-end time when accountants are extremely busy.

In addition to that, what I'm trying to convey here is the need to make sure the particular disclosure of the schedule of salaries, honoraria, and travel is comparable to like entities; that it doesn't go beyond what is required of other like entities.

• (1645)

**Mr. Dennis Bevington:** I agree with you on that. I don't think there's any disagreement here. In fact, this whole business...it is very difficult to understand why we have this bill in front of us. I'm with you on that; most of this information is available.

What is needed, obviously, is more incentives for first nations—and this was mentioned—to get involved with their own organized efforts to achieve better financial information, such as through the first nations financial management act.

Can you give us an opinion of how soon many of the first nations would be interested in participating in that act through your understanding of this?

**Mr. Terry Goodtrack:** That's a difficult question to ask AFOA Canada. Our mission is training and capacity development of individuals, and that's what we do.

That's probably a good question to ask Mr. Calla of the First Nations Financial Management Board.

**The Chair:** Thank you very much.

Mr. Bevington, your time is now finished.

Mr. Seeback, we'll turn to you for seven minutes.

**Mr. Kyle Seeback (Brampton West, CPC):** Thank you, Mr. Chair, and thank you, witnesses.

I was pleased to hear you say at the outset that you certainly agree with the goals of this legislation. We heard earlier today—I don't know if you were here—the parliamentary secretary say we're interested in looking at ways to improve the legislation. Of course, some of your comments today are helpful, and I thank you for those.

I have a few questions. First, when you talk about the standards that are set out for disclosure in the legislation, how do you think those compare with the standards of disclosure for other governments here in Canada? Are they the same? Are they different?

**Mr. Terry Goodtrack:** What I tried to convey here is that it has to be something comparable. The question becomes what the like entity is. I recognize we're comparing this to other levels of government, but at the same time, we're not recognizing first nations as a government. What would be a like entity to pursue? That's really what I'm trying to convey.

I outlined in my testimony that there are many different models across Canada. Why is this one, which is very detailed, the model chosen? I don't know why.

**Mr. Kyle Seeback:** I think there are a couple of things you want to talk about. When you say there are two issues of disclosure, I think you mentioned there's disclosure to the Government of Canada, and then you talk about disclosure to members. I'm not suggesting you glossed over disclosure to members, but I can tell you that this certainly is one of the issues. I understand not everybody can read an audited financial statement.

I've said this joke many times, and I'll keep telling it. I'm a lawyer. I don't like numbers. That's why I went into law, not accounting—a fear of numbers. I'd certainly have difficulty understanding certain complex audited financial statements.

One of the things we did hear—we've heard it at committee and we certainly heard it from the minister when he testified—is that individual band members are having great difficulty accessing this information. I know you're saying your members are happy to provide it, but I don't think you necessarily represent all 600 first nations across the country.

We heard from witnesses who said there are veiled threats of intimidation, as in if you ask for this, you're asked if you're looking for housing. We've heard those types of things. Certainly you must agree that this legislation, by requiring this disclosure and that it absolutely be made available for first nations members, including salaries on a separate schedule, is going to fill that information gap.

**Mr. Dana Soonias (Chair, Aboriginal Financial Officers Association of Canada):** Mr. Chair, I'd like to thank you for allowing us to present today. On that topic, I think I can give you an example. I come from a community with significant challenges. I'm not going to name the community, but as a member of that community I have issues at times with how that is presented and the reasons the information isn't available.

I think you're going to find different pieces of this legislation impacting these different communities in different ways across the country. Our concern is that it is done—and it is done in a like manner with similar organizations—so that the reporting processes are not increased, but at the same time they are held accountable, as laid out in this legislation.

I think Terry and our members across the country all believe that the core goals of this are justifiable, and we believe that along the way we can find a common ground on this. Those communities are a small percentage, but they are valid: they have those challenges. I myself have had challenges, but that administration changes every couple of years as well, so depending on the administration, that management experience and expertise increases or decreases.

We're looking at building that capacity of those members across the country and holding them accountable.

• (1650)

**Mr. Kyle Seeback:** I certainly agree that building capacity is important. Once you improve on the financial capacity or the reporting capacity of a first nation, that's going to improve transparency. They'll be able to get reports done. But when I go back to this legislation, I want to keep talking about that.

You're saying you've experienced difficulty. If that information is put out there, that will probably also speed change. I would assume that if somebody is not providing information to members of their community, the reason they're not providing it seems logical to me. Once it's out there, the first nation community is going to say they don't think they want these people anymore, so more disclosure is going to help that transition, would it not?

**Mr. Terry Goodtrack:** When you take a look at this issue, and if what you say is.... Again, I know you're speaking of disclosure, but I view it through the lens of accountability, the accountability of the first nation to its members.

When you take a look at it through that lens, in the event that a first nation does not disclose its audit to a particular member, right now that consolidated audit for the federal government is at AANDC. The Montana decision had an effect on it in terms of third-party financial confidential information, but then when Sawridge came around—I'm not a lawyer, but this is my understanding as it's been explained to me by Gowlings: the federal government can disclose it to a particular band member who is their citizen.

**Mr. Kyle Seeback:** Doesn't transparency aid accountability? Isn't that the way the two things go? I understand what you're saying about accountability, but transparency seems to be a cornerstone of accountability. That's where I see the legislation being helpful on that lens. Do you not agree with me on that simple aspect of it?

**Mr. Terry Goodtrack:** Well, accountability is very complex. You can't really view accountability unless you view some very key items: the definition of responsibility, the definition of an authority, the definition of legitimacy—and then accountability.

When you think of it, if a first nation government has a whole pie of responsibility, but the authority that's delegated to the government, by the government—because it's a delegated model—is a slice of that pie, what are they actually accountable for? It's that mismatch that really throws things out. What I believe first nations governments are trying to do is respect these key principles that we all cherish, but implement them in their own ways.

When you look at accountability between a first nation and its citizens, you have to look at different items. One is certainly the notion of what I call public service: that of transparency, of disclosure, of redress. But then you have to look at another point, which is performance. How are you actually performing? What are those indicators? The financial one is part of that, the financial reporting, but also just as important is the notion of professionalism, that of ethics. So when you take a look at a broader framework, you have to look at the key elements, the key indicators, the key definitions of responsibility, authority, and legitimacy, and then look at accountability and at designing that accountability framework around it.

● (1655)

**The Chair:** Thank you very much.

We'll turn now to Ms. Bennett for seven minutes.

**Hon. Carolyn Bennett:** Thank you very much.

Thank you, too, to our witnesses.

Like many members of the committee, I think we are quite astounded that this is the first time you're getting to comment on this bill. You are the people who have exactly the expertise that would be required to get the bill right or to answer the question of whether this bill is necessary at all, which is I think where you were coming from, and again, who the accountability is to.

When the minister was before us, he did admit that he hadn't consulted between the private member's bill of Ms. Block and this other bill that seems to be much broader, with many unintended consequences around own-source revenue. Again, on the accountability, I think even Darcy Bear, in his testimony here, said that the accountability should be to the members of the band, particularly on own-source revenue, not to Canadians writ large.

I guess I'm just astounded that people like you and your organization weren't consulted before this was tabled. I hope you will be consulted on what it seems will be proposed government amendments, but have you looked at the proposed amendments that the Whitecap Dakota chief and council have put forward? Would those amendments deal with some of the concerns that you've highlighted today?

**Mr. Terry Goodtrack:** Yes, I've reviewed Chief Bear's amendments. This is where we're trying to say at AFOA Canada that those are very important issues and amendments that Chief Bear has outlined—definitely.

One thing you have to do with this legislation is step back and look at it through different lenses, one of those lenses being accountability, as you mentioned—accountability to whom and for what. The notion of consolidated audits gets very clear when you look at it through that end.

On the notion of comparability, as we've mentioned, comparability to like entities is what we're asking: not to do anything more, not to do anything else, but to like entities. If that comparability is to governments, then why aren't we putting in the bill the word “government”?

You can take a look at the *Public Sector Accounting Handbook*, as mentioned earlier by the Auditor General's office. He said that there are definitional issues, which is right. First nations aren't part of the common government reporting handbook, but the year-end reporting handbook states that for the purposes of accounting, first nations are government. It doesn't even say that in the CICA handbook, but it says it through this secondary document.

Keep in mind that at AFOA Canada we did recommend that. We recommended that, but it's still not a definition, because in this legislation first nations aren't considered governments.

**Hon. Carolyn Bennett:** As a government, in this legislation—just like the current government here federally has some laws saying that it's supposed to be transparent—if it isn't transparent, then the citizens have the opportunity to replace it with a government that is.

Is that not what governments do?

**Mr. Dana Soonias:** Yes, that's right. That's correct.

**Hon. Carolyn Bennett:** A top-down approach to “thou shalt” in a democratic government. Is that what you, in your experience, would see?

If a government refused to disclose to its citizens, then at the next election, the citizens have the chance to replace that government. Right at the moment, they also have the chance to go to the minister and ask for the audited statement. Is that correct?

**Mr. Terry Goodtrack:** Yes, that's correct. That's the essence of political accountability, right? People vote for who they put in government.

**Hon. Carolyn Bennett:** Has it come to the attention of your association the tsunami of complaints that chiefs and council are refusing to give their community members the information requested? In his opening testimony, the minister gave the number of around 200 or so. Does that sound about right?

• (1700)

**Mr. Terry Goodtrack:** When I look at the notion of 200—you sit there and you look at numbers. Numbers are one of these really interesting things, because you can see them from very different perspectives.

The way I see it, you sit there and say there are 250 complaints. All right. There are 704,000 first nations people in Canada, so that's less than one per cent. On reserve it's 403,000, and that's still less than one per cent.

You can show a hard number, but what percentage are we're dealing with? Is it doubled up—the numbers? We don't know. Is it all from one community? We don't know. I couldn't tell that from the testimony. It may be. I don't know.

**Hon. Carolyn Bennett:** He didn't seem to have the answers.

**The Chair:** Thank you, Ms. Bennett.

We'll turn now to Mr. Clarke, for seven minutes.

**Mr. Rob Clarke (Desnethé—Mississippi—Churchill River, CPC):** Thank you, Mr. Chair.

I'd like to thank you, Mr. Goodtrack and Mr. Soonias, for attending here.

Actually, it's kind of ironic that Soonias is your last name, as it means “money” in the Cree language, and here we are talking about first nations transparency and governance, and about money, trying to be good government and trying to make first nations accountable in terms of how the money is being handled, for one.

Mr. Goodtrack, having a first nations background myself, coming from Muskeg Lake First Nation in Saskatchewan, and, too, having a background in the RCMP, I have seen the worst of the worst and I have seen the best of the best in terms of transparency and accountability. Some try but don't succeed. Others just blatantly reject all notions of being transparent and being accountable.

I find that very frustrating, with today's technology. For instance, in my first nation community of Muskeg Lake, they do their yearly report on their band website. They take added measures to have a meeting on their first nation community with their band membership. I live off reserve, and I don't have access. But they also try to make arrangements to meet with individuals in Saskatoon, Edmonton, and Prince Albert to tell them what is going on with the financial aspect of the day-to-day business on the first nation lands and the money spent.

I understand that the Aboriginal Financial Officers Association started back in 1999. You currently have 1,500 members, with 136 aboriginal certified financial managers. But there are 633 first nations out there. It's a tough void to fill and to get the proper training, for one.

I was reading an article from the *Globe and Mail*, going back to February 26, 2012, where it quotes you as saying that your members were fine with Bill C-27, the First Nations Financial Transparency Act. It quotes you further:

“We're all for that,” he said. “We believe in accountability.”

I agree with that sentiment, but you look at issues, and....

I've had to investigate first nations reserves. It's not fun, for one, trying to understand the practices and the.... I'm not an auditor. I'm not a profound...to say I'm good at it, but to look at financial audits....

But I look at an incident in the interior of British Columbia back in 2004, 2009, with the Anahim First Nation. Over five years, an amount of \$284,000 in wages and bonuses and contract fees was spent by the chief; \$111,000 was spent on wage reimbursements for travel, some without proper documentation; \$28,000 was paid to relatives of the chief; \$21,000 was used in band funds for the chief and council to purchase vehicles; and \$10,000 in rental fees was paid back for the rental of the vehicles that the band purchased, back to the council.

This is where I'm coming from. You mentioned, and it was already mentioned by Mr. Seeback, that you have first nations individuals coming forward asking for the information that the chief and council have refused to release. They try; they go through the access to information and privacy acts. But under section 10 of the Indian Act, they have to release their identity.

They're afraid for their well-being, for their safety, because of reprisals—such as for homes—or repercussions through other measures—such as for potential jobs—or their family could be punished, or there could be physical challenges to their safety.

I look at this and I... It's confusing. This is a very, very sensitive issue where, yes, your testimony here today could hopefully add some insight.

• (1705)

In what ways, if any, might Bill C-27 modify existing first nations accountability relationships?

Hopefully, I can get some clarification on that.

**Mr. Terry Goodtrack:** That's essentially what we've said, that you have to view it through the lens of accountability—to whom and for what—and ensure you're comparing apples with apples.

When you speak to the notion of disclosure of salaries, honoraria, travel, and that kind of stuff...what I tried to convey in our testimony is that if this act is going to go forward, just ensure that it's comparable.

I certainly think that what Muskeg Lake First Nation did was excellent. That was their choice. It wasn't an act that was imposed upon them; that was their choice.

We had 1,671 members at March 31, 2012, and 472 certified aboriginal financial managers across this country. We're certainly not in every community, but what we try to do is to invite people into our association—like-minded people, volunteers—who are interested in improving financial management capacity and management abilities in their communities.

Thank you.

**The Chair:** Thank you very much.

Mr. Clarke, there is 30 seconds left, if you want to use it.

**Mr. Rob Clarke:** We're all accountable. As elected leaders we have to be accountable to the band members as well. They're struggling out there to get the information, to make the right decisions, and to keep leaders accountable. That's the hard part. It's not being met.

What would you recommend for those individuals or chiefs and councils who aren't complying and releasing that information to their elected band members? What do you recommend to those out there who are frustrated?

**Mr. Terry Goodtrack:** Again, that's an issue of the accountability of first nations to their citizens. The question is, if they're not getting that information....

I mean, the ultimate political accountability, which was mentioned earlier, is the election process. That's the ultimate political accountability. There are other issues that come into play when you're taking a look at it, and part of it is not just financial; it's performance. What exactly was achieved? To some degree, you have to try to include that in an annual report.

As I mentioned earlier, at AFOA Canada what we're trying to do with this pilot project is to better explain audited financial statements to community members, while at the same time increasing the financial literacy of community members. We're actually trying to solve this as well.

**The Chair:** Thank you very much.

Ms. Hughes, we'll turn to you now, for five minutes.

**Mrs. Carol Hughes (Algoma—Manitoulin—Kapusksing, NDP):** Thank you very much for your input.

I think it's fine for the other side to talk about accountability and transparency, but that's all they've been doing. Again, if there have been 200 complaints, there hasn't been any indication of whether this was from one person, two people, or three people. To say we're acting on all of these complaints without really being transparent as to how many people have made that complaint I think is not really going in the right direction. It's not providing the proper information for people to make a decision on a bill that's so important.

You answered one question that I had, which was whether Bill C-27 would result in reductions in reporting requirements. If I remember correctly from your initial report, you indicated it would actually add to the administrative burden.

Mr. Clarke mentioned all of these expenses that had been incurred, and some that may have been reimbursed. However, I think when you're looking from first nation to first nation—and it would depend from chief to chief, or council, as to whether they are actively involved in doing other things—you can't really say, "Oh my gosh, he spent \$30,000 and this one only spent \$10,000." One chief may have been very active. I think we have to be careful as to how these expenses are done up.

There is a piece in here about the fact that they could be denied funding if they don't divulge this information and they don't have it on the website. For someone who has provided all the information to a department that they have actually used the money wisely, I wonder whether they should be denied that funding in order to continue the business of the day for their first nation. Have you seen

this occur on a municipal basis, for example, where a municipality has not put down the breakdown of whatever on their website. Should they be denied funding? Do you think that is equal?

Based on the information you've provided, it's almost as if this is not equal to what is already happening out there, and it's kind of discriminatory.

● (1710)

**Mr. Terry Goodtrack:** That's quite a few questions.

The thing that really concerns me about the administrative burden is that over time we tend to add a requirement and another requirement. It may be one schedule; it may be one whatever. Over a period of time, there are quite a few of these schedules, but there isn't the increase in resources that come with that. So it puts a lot of pressure on the capacity of a first nation. With this, you have these cuts to the tribal council advisory services going on.

**Mrs. Carol Hughes:** That has been raised in my communities as well, the importance the tribal councils have in assisting first nations to be accountable to their members.

**Mr. Terry Goodtrack:** Right. With the cuts, you don't have anybody to provide that advice. You could actually destabilize the governance, the first nation capacity. You do the cuts, and there's nobody to provide the advice. Then what happens? Potentially you get into health and safety issues, because the first nation government isn't able to operate. That's probably one of the biggest administrative burdens that could occur.

**Mrs. Carol Hughes:** I'm going to give the rest of my time to Jean.

**Ms. Jean Crowder:** Thank you, and my thanks to the witnesses.

I have a minute and a half and way too many questions.

As to resources, I know that you offer training, education, and support to first nations for building capacity. What's your experience in the ability of individual nations to pay for those services?

**Mr. Dana Soonias:** One of the things that we've noticed and that accounting firms have let us know is that there is a reduction in the amount of adjusting entries in the communities that have these individuals on staff, or through our organization and our CAFMs, our certified managers. That's an example of the things we're noticing. That's just one example; there are many others similar to that.

● (1715)

**Ms. Jean Crowder:** In effect, what we're hearing anecdotally is that first nations are struggling to do capacity development because they simply don't have the funds for that kind of education and training.

**Mr. Terry Goodtrack:** Yes. I had to present at the C.D. Howe Institute a couple of weeks ago on accountability. A first nation asked that question directly. He said they couldn't afford to take the courses because they didn't have the ability.



Some of these cuts will limit the discretionary funding. The first thing that goes, typically, is training. That's why this really concerns me, the administrative burden and these reductions in funding at the same time. This could potentially destabilize first nations governments, some of them, and cause health and safety issues.

**The Chair:** Thank you very much.

We're going to turn to Mr. Rickford now for the final five minutes.

**Mr. Greg Rickford:** Thank you, Mr. Chair.

Thank you to the witnesses.

First of all, these five- and seven-minute things don't give us enough of an opportunity to congratulate you on the important work you do. In a previous life, I served as legal counsel for a number of first nations communities and authorities. I'm very familiar with the important contributions you make with member communities, certainly in the areas of transparency and accountability around financial reporting.

I want to go back to a question I posed to a witness a couple of meetings ago. I think my colleague Mr. Wilks alluded to it earlier.

I get the sense, gentlemen, that part of the value of this exercise is that there are a number of first nations communities that are doing the very best they can to meet the reporting requirements to Aboriginal Affairs and Northern Development, and they are evolving for that kind of disclosure to their community members directly. I posed the question, isn't it true that probably in a number of cases, perhaps the majority, this is about the chief and council reporting certain things, particularly around remuneration and expenses? We've gone through an exercise of being more clear on that through some amendments from the Whitecap First Nation that we're strongly considering as a government. It's to put it out there for their communities to clear up any confusion or to clear up any issues that may be present but are not actually true.

In short, they're putting it out there for their protection, but I don't think that quite does it justice. They're actually dealing with their accountability as elected members by just putting it out there.

Does that resonate with you, Terry?

**Mr. Terry Goodtrack:** Yes. We support the principles of transparent disclosure. As I mentioned earlier, that's what we do. When we do capacity building—

**Mr. Greg Rickford:** Is it true, then, that part of this exercise has value to the extent that it puts it out there, and for a number of communities, for whatever reasons, that information is available to those members? This isn't so much about a particular set of circumstances where there may be some kind of corruption. It's a simple exercise in them reporting, and it's transparent by virtue of it being accessible, providing it's understood—and I'll segue into that as my second question.

**Mr. Terry Goodtrack:** To address your question, you almost have to go back a little bit to the discussion you had about Muskeg Lake. It was Muskeg Lake's choice as to what those accountability

measures were—whether to put it on the Internet, whether they told community members.... They had their own accountability framework between the first nation and its citizens.

Here we have a situation where we're not sure what the comparable items are. What I try to convey is just to get a comparable, such as other like entities. We support transparency. We support disclosure. We support the notion of accountability.

**Mr. Greg Rickford:** We've heard that from you before, and I appreciate that advice and counsel.

I just want to switch channels here on one final thing, and that is about the presentation of these documents and notes. As people with expertise in this area, do you have some helpful tips for communities? We have heard from witnesses who are very enthusiastic, grassroots community members who have come to us for this kind of thing, but the next step in the analysis—and I think Jean alluded to it earlier in a question—is, do you have some advice about how these documents, for people who never read pro formas or consolidated information and/or notes, might be thoughtfully presented to them?

• (1720)

**Mr. Terry Goodtrack:** That's exactly why we have that pilot project with the first nation in northern Manitoba that I referred to earlier, with Mathias Colomb, because what we're trying to do there—as I mentioned earlier, it's gotten to a point now where audited financial statements are extremely difficult to interpret. We're trying to do a pilot project that more clearly explains these financial statements and performance information to community citizens. At the same time, we're trying to increase the financial literacy of citizens. They go hand in hand.

I think those are vital projects that we're outlining. We're partnering on that project with two organizations, and we're hoping it gets funded. One of them is SEDI, which is run by the TD fund out of Toronto, and the second organization we're partnering with is the Martin Aboriginal Education Initiative.

We believe in strategic partnerships to solve these complex issues. We have a conference every year, and this year it's February 12 to 14, 2013. I invite you to come. What we're talking about there is building relationships, discovering solutions to complex issues. This is a complex issue.

**The Chair:** Thank you very much. We really appreciate your testimony today. You're absolutely right, these are complex issues. And certainly you have brought information in your testimony that's valuable to this committee. Again, thank you so much for coming.

Colleagues, we have a number of things to burn through in terms of committee business. We're going to go in camera to talk about motions. As well, we have some issues about future witnesses and different things.

We'll now go in camera.

*[Proceedings continue in camera]*





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