Health Canada Santé Canada

Health Canada
First Nations and Inuit Health Branch

Financial Reporting Guidelines

Final - April 16, 2004

Canada

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1. Introduction

In March 2001, Health Canada's First Nations and Inuit Health Branch (FNIHB) introduced standard contribution agreements in order to come in line with Treasury Board's June 2000 Transfer Payment Policy, and with recommendations made in the 1997 and 2000 Auditor General's Reports. The main body of all the agreements is the same in many respects, but certain provisions vary, as does the level of control and flexibility offered. First Nations and Inuit communities make a decision regarding whether they would like to assume a greater level of control, and are able to choose an option based on their individual needs, capacity and eligibility.

These guidelines are intended to assist both FNIHB employees and First Nation and Inuit Recipients. This guide is also intended as an informative document to help First Nations and Inuit community members and outside parties understand the requirements and obligations with respect to contribution programs, as well as outlining the interaction between the community's administration and FNIHB.

2. Scope

These reporting guidelines provide an overview and explanation of financial reporting in the context of FNIHB's ***Consolidated Contribution Agreement-General*** and ***Consolidated Contribution Agreement-Integrated Phase I and Phase II***. Reporting requirements for these types of agreements are explained, and examples of completed reports are included.

3. Definitions

Annual Year-end Financial Audit:

This means an audit of the Recipient's financial statements, conducted by an independent auditor, hired by the Recipient. The Auditor will give an opinion as to whether the Recipient's financial statements fairly represent the Recipient's financial activities and financial position, whether the Recipient followed generally accepted accounting principles and practices, and whether the Recipient has adequate controls in place. Please refer to *the FNIHB Audit Guidelines.*

Cost Recovery:

This means an arrangement between the Recipient and Health Canada where FNIHB agrees to provide certain goods or services to the Recipient, such as medical supplies, or the services of federally employed health professionals, and the recipient then pays FNIHB for the cost of those goods and services.

Financial Statements

This means statements that are prepared to provide their users with reliable information concerning the financial affairs of an organization. In the case of First Nations, users of the statements can be banks, the federal government, other funding agencies and First Nations members. The statements also provide the First Nation with financial information concerning organizations that are accountable to the First Nation. "Financial statements should demonstrate the accountability of a First Nation for the financial affairs and resources entrusted to it". (Source: A First Nation Guide to Generally Accounting Principles prepared by AFN-CGA Working Group).

Fiscal Year:

This means the financial year of the Government of Canada. The fiscal year always starts on April 1 and ends on March 31.

Independent (Recipient Initiated) Audit:

This means an independent auditor contracted by the recipient to conduct an audit of the recipient financial processes, controls, accounts, and records.

Independent Auditor

This means an auditor who is independent from the Recipient and is a member of an accounting body that is recognized by the Province/Territory in which the Recipient has its administrative offices.

Integrated Community Based Health Services:

This means the programs and services that the Recipient manages and delivers under its Community Health Workplan and community health management structure. Unlike *Targeted Programs*, this funding provides the Recipient with the flexibility to meet overall Workplan requirements. Integrated Community Based Health Services are only applicable in a Phase II Consolidated Contribution Agreement.

Minister

This means the Federal Minister of Health

Ministerial Audit

This means an audit conducted by an auditor engaged by the Minister of Health to assess the accounts and records of the recipient relating to the funding provided through a contribution agreement to assure compliance with the terms and conditions of the agreement.

Program Authority:

This means the program authority granted to FNIHB. FNIHB's standard contribution agreements are based on the terms and conditions of program authorities granted by Treasury Board. This includes details such as maximum duration of agreements, maximum funding amounts, program and financial reporting requirements, and details as to the implementation of the programs themselves.

Program or Activity:

This means the Programs/Activities to which FNIHB has the authority to contribute. This includes programs such as Aboriginal Head Start - On Reserve, Brighter Futures, and The National Native Alcohol and Drug Abuse Program (NNADAP). Activities are specific components of Programs. For example, Medical Transportation is an activity belonging to the Non-Insured Health Benefits (NIHB) program. In many cases, activities may have distinct requirements within a Program. For instance the Bursary Activity Component of Indian and Inuit Health Careers specifies who can administer this activity under a contribution agreement, while Health Careers Promotion activity can be undertaken by most recipients. For the purposes of this guide, *Program* is used to represent both Programs or Activities and includes those activities and activity are used interchangeably as either a program or activity can be funded as a distinct project, and as such, are subject to the same requirements.

Recipient:

This means the group or person named on the agreement as the Recipient. Usually this is a First Nation or Inuit government or association, but it can also be another organization. The reference to Recipient in agreements does not mean the actual community members who receive services.

Region

This means the office of the Regional Director, First Nations and Inuit Health Branch, Health Canada.

Special Interchange:

This means an arrangement between the Recipient and Health Canada where FNIHB health professionals work in the community under the management and control of the Recipient, but these employees continue to be FNIHB employees, paid by FNIHB.

Targeted Programs:

In an Integrated Phase II agreement, Targeted Programs means program funding that is not eligible for inclusion in integrated health services. Transfers to or from targeted programs are not permitted unless prior written approval is provided by FNIHB.

4. General Information

FNIHB Consolidated Contribution Agreements (CCAs):

Prior to 2001, FNIHB entered into a separate contribution agreement with a Recipient for each FNIHB Program or activity. Therefore, if a Recipient offered ten different FNIHB supported Programs, there would have been ten separate contribution agreements, each with its own set of terms and conditions. In almost all cases, eighty percent of the terms and conditions were identical.

The Consolidated Contribution Agreements (CCAs) can be used to fund multiple Programs through one agreement. Programs are identified in a schedule section to the main body of the agreement. It is important to recognize that each Program/Activity Schedule must be treated separately, as though each were funded through separate agreements.

Accountability:

Health Canada, being a part of the Government of Canada, is accountable to all Canadians. The nature of contribution agreements is such that evidence of spending does not always take the form of tangible evidence. For example, when Health Canada makes a purchase, such as laboratory equipment to be used in the research for a cure for a disease, this can be used as tangible evidence in Health Canada's accountability for use of public funds. With contribution money, it is actually the Recipient who ultimately spends public money in support of a beneficial Program or Activity. Health Canada depends on the Recipient to provide the information Health Canada will need to account for what was done with and what was achieved through the use of public funds.

Agreement Requirements:

FNIHB CCAs are provided in support of health services and activities being offered by First Nation and Inuit communities and organizations to their members.

FNIHB can only financially support those Programs for which it has been given authority by Treasury Board. These authorities have certain requirements, and Health Canada must include these requirements in all types of its contribution agreements. Some of these requirements appear in the main body of the contribution agreement, for example, Accounting and Audit Requirements. Other requirements appear in the Schedule Section of the agreements, for example, those in the Activities Section.

Health Canada receives authority from Parliament to spend resources for one fiscal year at a time. The money given to Health Canada can only be used for the fiscal year that the Government has authorized, and this condition must be respected. If Health Canada received a budget of ten million dollars for Brighter Futures, it also receives authority to spend the $10 million. This authority is only valid until the end of that fiscal year. If Health Canada only spends $9 million of the $10 million by the end of that fiscal

year, it cannot spend the other million as its authority to do so has ended. This is sometimes referred to as lapsed money or lapsed authority.

In Section 2 of the general conditions of all FNIHB CCAs, it is clearly noted that any Recipient entering into a contribution agreement with Health Canada, must adhere to the same requirements (program requirements, objectives and applicable laws) by which Health Canada is also bound.

CCA General:

This is the most basic agreement in terms of the level of control offered. During the course of these agreements, the majority of which are for a one-year duration, communities administer FNIHB-developed Health Programs to their members according to the allocations outlined in the agreement. Money provided by Health Canada is a payment of actual money spent by the Recipient. This means that the Recipient can only receive from Health Canada what the Recipient actually spends, up to the agreed amount. If the Recipient spends less than the contribution agreement agreed amount, then Health Canada can only pay what was spent by the Recipient.

CCA Integrated:

The Integrated Contribution and Targeted Programs Agreement appears similar to the CCA-General, however there are some significant differences. The CCA-Integrated is divided into two phases. The first phase provides the recipient with financial and technical assistance to establish its own community health management system, administer training for the community health management team members, as well as helping the recipient develop a work plan for addressing community health priorities. While participating in a Phase I agreement, the Recipient must keep the funding for each Program shown in the agreement schedules separate. Only through an amendment to the agreement can money be moved from one Program to another. As there is a time limit on how long a recipient can remain in a Phase I agreement, the recipient is expected to obtain the objectives of a Phase I agreement in one year.

The recipient can enter Phase II once the community health management team is trained and a Work Plan is developed. Phase II provides the recipient with funding to maintain community health management. Phase II also provides upfront flexibility to fund programs according to the community's health priorities identified in the work plan. The recipient is also required to provide a yearly report that shows the progress made against their Work Plan.

The community's Work Plan may include as part of its planned services, certain services that are currently provided by FNIHB. The Integrated CCA offers a method by which FNIHB employees/services can come under the Recipient's leadership. This is possible through a Special Interchange, and a Cost Recovery agreement.

Another key difference between the CCA-General and the CCA-Integrated is the requirement in the CCA-Integrated for the Recipient to provide independently audited financial statements at the end of each fiscal year. Please refer to the ***FNIHB Audit Guidelines***.

5. CCA-General and CCA-Integrated Agreements Related Terms and Conditions

General Conditions - Funding Provisions

This section identifies the maximum amount payable to the recipient by Health Canada. Normally this amount is based upon either a predetermined formula that takes into account factors such as remoteness, population etc., or on a proposal presented by the Recipient.

Along with identifying the total amount that can be paid, this section outlines when payments will be made. If the agreement is for more than one fiscal year, this section defines how much of the agreement can be paid and used for the current fiscal year.

Changes to the amounts indicated in the agreement, for example additional funding for rising costs or addition of new Programs, are handled by an amendment to the agreement. All amendments will need the approval of both parties.

General Conditions - Financial Progress Report

This section mentions when the Recipient must provide a financial report. For most Programs listed in the schedules, the Recipient must provide three financial reports (note that the NIHB program activities provide for an option to report quarterly). The first must be submitted to FNIHB in October, the second in January, and the third, called the final expenditure report, within 120 days of the end of the agreement. If the agreement covers more than one fiscal year, then aside from the October and January reports for each fiscal year that the agreement lasts, a year-end report is due within 120 days from the end of each fiscal year.

The financial statements are used so that FNIHB knows how much to reimburse the Recipient, or when advances are given, how much of the advance the Recipient has accounted for [please refer to PART 7: Preparing a Cash Flow]. The reports help Health Canada account for public funds. The reports also help FNIHB identify if there are any problems which if corrected help to assure the success of the Program.

This section also requires the Recipient to identify underspending. Identifying underspending is very important, especially if it is known early in the fiscal year. As mentioned, Health Canada and contribution Recipients can only spend money in the fiscal year for which the money was intended. This means that funds unspent by Health Canada or recipients after March 31 cannot be spent in subsequent fiscal years. Knowing that a potential surplus exists, FNIHB and the Recipient can amend the agreement to permit the Recipient to provide other services, or allow FNIHB to make the funding available to other Recipients.

Each Program in CCA-General agreements and the targeted Programs within the CCA-Integrated agreements must show its own budget and associated expenditures separately; these cannot be added together. Because Health Canada must report separately for each of these Programs, the Recipient must also report each Program

separately as well.

Integrated Community Health Services are also required to report on the Programs within Integrated Health Services, but for only those Programs that were actually budgeted for according to the Recipient's Work Plan.

This reporting requirement applies to both interim and final/year end financial statements.

General Conditions - Surplus and Deficit

This section states that the FNIHB cannot flow funds to the Recipient in excess of the amount that is stated in the agreement. If the Recipient spends more than the agreed amounts as listed for each program or activity as per their respective schedules, it would have to use its own money. If FNIHB has advanced money to the Recipient [please refer to PART 7: Preparing a Cash Flow] and the funds spent by the Recipient are less than FNIHB already paid, this part of the agreement indicates that the Recipient must return the unspent portion of each program or activity amount.

General Conditions - Transfer of Resources Between Programs

CCA-General:

As mentioned in the Introduction, although many Programs may be funded through one consolidated agreement, in CCA-General Agreements, each Program or activity must be treated separately. This means that without written approval from FNIHB, changes to, or transfers between Program funding levels cannot be made.

Integrated-CCAs and Targeted Programs:

As mentioned earlier, without written approval from FNIHB, Program funding for Targeted Programs cannot be transferred from one Program to another. Furthermore, once the funding levels have been established for the Integrated Health Services, these levels cannot be modified without further agreement between the Recipient and FNIHB.

General Conditions - Accounting and Auditing Requirements

This section deals with how financial records will be prepared and maintained. Basically, all financial procedures must follow generally accepted accounting practices. The accountant employed by each Recipient's organization will be familiar with these accounting practices.

This section also mentions that all financial records and receipts must be kept for a period of seven years. Records must be retained regardless of whether the Recipient has been audited.

6. Preparing a Budget

What is a budget?

A budget is a money plan that identifies the costs related to proposed activities. It is also a guide to assist in keeping activities on track. Normally a budget will be for a specific period of time, usually one fiscal year or less.

What information is included in a Budget?

When preparing a budget for a Program, it is important to consider all the activities/services to be performed. In considering the Human resource costs, who will do the work and for how long? With respect to direct and indirect service costs, what will be the costs that will be encountered when actually supplying the service? Insofar as there are overhead and administrative costs, will there be any other costs associated with the activities but not as a result of the actual work?

It is important to note that a budget is not a statement of source of funds. It is an estimate of what resources will be required to deliver a Program. It is quite possible that funds will be received from multiple sources, such as funding in part from FNIHB, while another source may be the community, or another government department**.**

Building a Budget:

The following process for building a budget has been prepared using the provision of Primary (Direct Care) Nursing Services as an example:

Please note that the numbers, activities used in the examples are in no way a reflection of an actual Primary Care Program and are intended only for the purpose of demonstrating an approach to budgeting.

1. Identify activities and services to be performed:

The provision of Primary Nursing services will involve giving direct care to patients including treatment (wounds, tests, medication) examinations, advice, visiting the elderly, providing Healthy Living education to school children, and setting up appointments with visiting or outside-of-community health professionals. Other tasks include completing reports, filing, forwarding and receiving charts, performing inventory and restocking, and completing daily and monthly activity reports. Tasks may also include providing accounting services, financial reports, and janitorial services.

2. Identify who will do the work and for how long:

The Program will require the services of one full time nurse, and one half-time nurse to perform treatment, examinations, advice, visitation and education. Also, it will require one full time medical clerk to set up appointments, complete reports, filing and charts, inventory and restocking.

Registered Nurse (including benefits)	Full time	$50, 000
	Part-time	$30, 000
Clerical	Full time	$35, 000

3. Identify costs associated with actually providing the service:

With respect to treatment, consider the following information in determining direct service costs. Try to estimate the number of patients to be seen in a day. If the staff see 25 patients each day, this will require a supply of certain medical supplies including bandages, gauzes, needles, drugs, equipment (blood pressure monitor/ scopes etc.), and examination room supplies. Educational pamphlets may be used within the schools. Community visits to elders and other people who may not be able to travel will still require supplies and will require the Nurse's use of a vehicle.

Based on the information outlined above, resulting costs might be:

Medical Supplies	$75 per week/52 weeks
Pharmaceutical	$125 per week/52 weeks
Examining room supplies	$25/week/52 weeks
Education Pamphlets	$750/year

Car expenses are outlined in the overhead costs, as the maintenance costs or repairs are not really a direct expense. The car, for example, could also be used for administrative purposes such as picking up supplies or travelling to meetings.

4. Identify other costs associated with the activities:

When determining overhead costs it is important to consider rent for the facility, and janitorial and minor maintenance services, as well as the cost of vehicle gas, maintenance and repairs, registration, and insurance. Office supplies, files, paper, pens should also be included in overhead costs, and so should medical equipment maintenance or replacement. As well, telephone costs should be factored in, and you may also be responsible for the electric and heating bills. You may encounter administrative costs such as the services of Band accounting unit for a certain number of hours per month, and the Band may charge you for this service.

Band Administration	2 hrs/wk for 52 weeks @ $25/hr
Band Janitorial/Maintenance	10 hrs/wk for 52 weeks @ $12/hr
Vehicle gas and maintenance costs	$200/month
Insurance	$1400/year
Telephone	$100/month
Electric	$200/month
Heating	$200/month
Equipment Replacement	$300/year

Once costs have been determined, whether monthly, weekly or yearly, convert

everything to an annual amount to determine how much over the year you will need to deliver the Program.

Please refer to Sample A for a sample prepared budget.

7. Preparing a Cash Flow

What is a cash flow?

A cashflow statement is a forecast of the funding required by the Recipient to meet operational needs related to Programs and services for a specific time period. Recipients must determine cash flow requirements by examining the monthly cash requirement for each Program. The total for each month for each Program forms the cash flow for that month. The total cashflow cannot exceed the total budget. The practice of simply dividing the budget by 12 and flowing the funds in 12 equal payments is not recommended, however it is recognized that in some cases Programs are based on ongoing fixed costs, which support the practice of equal payments. When there is a change to the cashflow forecast the Recipient is required to submit a revised cash flow statement.

A cash flow is essentially a time table that shows when money will be needed. Treasury Board of Canada Cash Management policy states that advances provided to Recipients must be tied as closely as possible to the immediate cash requirements of the Recipient.

As an illustration, if a conference is planned near the end of July, the following factors will have an impact on the cash flow requirements and cashflow statement. Expenses could include paying guest speaker fees 3 months in advance, paying the conference hall rental fee in June, paying and reimbursing travelling expenses for conference attendees. The salary of the conference organizer will also have to be paid. Therefore, in April, sufficient cash flow is required for one month's salary, and for the guest speaker fees. In May, sufficient cash is required for another month's salary. In June, again enough cash is required for salary, as well as the rent for the conference hall. In August, cash is required to pay the salary and to reimburse travel costs. In September, cash flow requirements must cover the salary. This illustrates that the cash flow requirements differ each month, and therefore, different amounts of cash must be available to meet demands. In a contribution agreement, a cash flow should be prepared in this manner. The cash flow will indicate to Health Canada how much and when to flow money to the Recipient.

If various sources of funding exist, the cash flow must be modified to reflect the different sources of funding, this will identify when funding will be required from FNIHB as it relates to FNIHB's agreed contribution. If the community contemplates changes to the activities that will require additional resources, the budget and cash flow should be modified, and the source clearly indicated on the cash flow. The cash flow would identify the increased contribution from the community, and when that funding will be required.

What does FNIHB look for when a recipient provides a cash flow?

FNIHB verifies whether the cash flow corresponds with the activities of the Program Further, FNIHB verifies whether the cash flow matches the Program budget. It is difficult

to understand and justify a large sum of money for a conference in a particular month if the planned activities and the budget do not mention a conference.

It is important to remember that contributions are reimbursements of the Recipient's expenditures. Cash flows are not reimbursements, they are monies Health Canada is advancing to help the Recipient meet the demands that the Recipient expects along the way. If the amounts of money advanced through the cash flow turn out to be greater than what the Recipient actually spends, then the Recipient must pay back the unused amount.

Example Cash Flow Statement

The following is another example of the process to undertake when developing a cash flow statement. In this example, the cash flow is linked to the budget example shown in Part 6 (Preparing a Budget) of the guide.

Please note that the numbers, activities, and events used in this example are in no way a reflection of an actual Primary Care Program and are intended only for the purpose of demonstrating an approach to forming a Cash Flow statement.

- Staff salaries should be divided evenly over the year, as this is how they will be paid. Therefore, divide the total salaries by twelve to determine the monthly amount you will need.

- For medical supplies, pharmaceuticals, exam room supplies, is difficult to predict when you will use your supplies. Therefore, simply calculate the annual amount and then divide by twelve to determine your average monthly cash needs.

- If equipment replacement is planned in June, include the cash requirement in this month.

- A new supply of Healthy Living Pamphlets for your education sessions may be required for the start of the new school year. This will likely require purchasing the new supply in August, therefore include this need for cash in this month.

- If the Band Administration provides accounting and janitorial services and invoices for their services every three months, the amount needed should appear under June, September, December and March in the cash flow statement.

- Vehicle expenses, telephone costs, and electric and heating costs should be reflected over the year using an average amount. In many cases, electric and heating companies will arrange an average monthly payment.

- If vehicle insurance must be renewed, the month for renewal should show the need for the anticipated premium.

As you can see from the attached example (Sample B), some months require the same

amount of cash, while others show higher amounts, to account for expected one time or infrequent payments. However, the total amount of the cash flow is the same as the total budget amount. There are no new categories included in the cash flow, as the cash flow is only an indication of when the budgeted amounts will be required.

8. Expenditure Reporting

Once actual delivery of the Program begins, expenditures will be encountered. Because some of the budget was estimated, the expenditures may not agree exactly with the budget. Other times, unexpected expenses may arise. Also, the demand for services may be lower than anticipated; this too could have an impact on direct costs.

Monthly expenditure reports should be completed to ensure good management of the Program. As stated earlier, FNIHB requires 3 reports per year under most circumstances, however, this does not mean you should not prepare your reports on a monthly basis.

The budget serves as a guide, as expenditures are a good indication of the financial situation past and present. If expenditures do not closely resemble what was budgeted for, problems may well arise in the future. Another consequence is a surplus of funds which could be put to use elsewhere.

Unexpected Expenditures:

Recipients may well encounter unexpected expenses. These expenses may be significant on their own, or may consist of many different expenses, large enough cumulatively to leave the Recipient without enough money to deliver Program for the full year.

If significant unforeseen expenses are encountered, the Recipient will have to determine if there is somewhere to cut back to deal with these expenses. If this is not possible, the Recipient should explore the possibility of obtaining additional funding from the community, or from other sources.

It is important that FNIHB is made aware of the difficulty. Both the Recipient and FNIHB entered into an agreement, and the Recipient has stated in the agreement that it will perform certain activities. Advising FNIHB of the possibility that the Recipient may not be able to deliver what was agreed to gives FNIHB an opportunity to help or if necessary, agree to a change in what will be delivered under the agreement.

Non-Budgeted Situations:

It may be desirable to undertake activities that were not budgeted for. Unlike unexpected expenditures, new expenses can be controlled since these new expenses are based on deliberate decisions. To illustrate, a Recipient may decide that it is advantageous to have guest speakers when speaking to school children. While the speakers may not have a fee, travelling expenses may need to be covered. Because of the low demand for treatment services, it may be decided to put off hiring a part time nurse for a month to free up the funds to cover the travel expenses. Or it is possible that either the community, FNIHB or another organization is willing to contribute towards the additional costs. It is key to recognize that undertaking activities that were not originally planned for still requires financial planning, in the same manner as if it were

being done at the time the budget is prepared. As well, before any new activities are undertaken, the recipient must ensure that it has acquired the necessary funding support.

If the Recipient plans to reduce or discontinue an activity to free up funds, these intentions should be discussed with the FNIHB office. Some agreements call for a minimum standard of essential services. Also, due to the nature and structure of FNIHB agreements, Health Canada can only cover costs that meet all the conditions placed on Health Canada, and through the agreement, placed on the recipient. It is therefore advisable to try to identify potential problems.

Other Unexpected Situations:

It is possible that expenditures for a Program may be less than was budgeted for. Demands for services may be lower than expected, the Recipient may be unable to fill a vacant position, or equipment replacement that was budgeted for may not in fact be necessary. Using the Nursing Services example to illustrate, the result may be that fewer supplies are used, or the total budgeted salaries will not have to be paid, or the equipment may not have been replaced.

The General-CCA between FNIHB and the Recipient states that the recipient must immediately inform FNIHB of a situation where a surplus exists or will exist. Discussing the situation with FNIHB will lead to a joint decision in determining what will be done. For instance, although it might be desirable for the Nurse to do more as a result of the surplus funds, the nurse may not have the time. If this is the case, the agreement should be reduced. If the funds can be redirected to other Programs in a position to make use of the funds, then a new agreement, or amendment to the existing agreement, will be concluded to reflect the changes.

Remember, surplus money at the end of the fiscal year cannot be used by either the Recipient or FNIHB. If the recipient received more funds through cash flow payments than it spent, it will have to return the money to Health Canada. Health Canada will not be able to use the money, it will return it to the Government.

Is Expenditure Reporting different for Integrated Health Programs?

Expenditure Reporting is the same whether the Recipient is reporting on Integrated Health Services, Targeted Health Program Services, of for Programs covered under a General-CCA. The difference for Integrated Health Program agreements is that the year end financial statements must be audited by an independent auditor. Please refer to **the FNIHB Audit Guidelines.**

Expenditure Report (Sample C) explained:

Please note that the numbers, activities, and events used in this example are in no way a reflection of an actual Primary Care Program and are intended only for the purpose of demonstrating an approach to preparing an Expenditure

statement.

In this example, the report is being prepared for the month of June. The Part-Time nurse has left to take a job with a new treatment centre, therefore the position is vacant for this month. The salaries paid are all based on the salary rates that were used when preparing the Budget.

Direct service costs represent the actual medical supplies purchased so far this fiscal year. At present, purchases have been lower than budgeted for because old stock was being used up. A new order will be made in July. Pamphlets are not to be purchased until late summer.

Other costs reflect the fact that the Band administration has invoiced as forecasted for accounting (administrative expenses) and janitorial services (overhead expenses). Vehicle and gas are actual, with no repairs being required to the vehicle. Vehicle insurance is not due to be paid until September. Telephone charges are normal, with electric and heating costs lower as Program is not on average monthly billing. One of the chairs broke in the waiting room, so it was decided to replace the other chair, rather than risk anyone being injured. This was not budgeted for.

The Recipient should use the Expenditure Report to assess how the expenditures compare to the Budget. If expenses do not appear to be in line with the Budget, the recipient must determine why this is the case. If for example, again using Nursing Services as an illustration, the Part-Time nurse has left, this could result in lower expenses. The Recipient should try to determine how long the position will be vacant. If staffing is underway, and expected to be completed by mid-July, and some additional hours will be authorized to make up the vacancy time, then it is entirely possible that the Budget will be on course.

As mentioned, although direct service expenses may appear lower than expected, this may be due to the fact that in the first few months of each new fiscal year, old stock is used up first. Although this may have been missed when completing the cash flow statement, the Budget may well be on target. With overhead, again, some expenses may be lower, but this may be reflective of the warm season, and therefore there is no reason for concern. Unplanned expenditures may well not be significant enough to affect the program.

It is this type of analysis that must be undertaken to ensure that the Recipient has everything under control. It allows the Recipient to identify problems before they become serious, and it allows time for action.

FNIHB reviews the Recipients expenditure report in the same manner. Not only has FNIHB invested public funds into the Recipients programs, it too has a desire to see the Recipient's Programs succeed. Timely and detailed expenditure reports are a tool that enable FNIHB to be a active partner in the success of First Nations and Inuit programs. When these Expenditure Reports are received along

with the Recipient's Activity Reports, FNIHB is in a position to perform detailed analysis, highlight potential problems, and offer assistance.

Please refer to Annex C for the sample completed report.

Appendix A

Recipient ABC
Annual Budget
Nursing Services

Direct Service Costs			
Medical Supplies	$75 per week/52 weeks	$3,900	
Pharmaceuticals	$125 per week/52 weeks	$6,500	
Equipment Replacement	$300/YEAR	$300	
Exam room supplies	$25/week / 52 weeks	$1,300	
Education Pamphlets	$ 750 /YEAR	$750	
Total Direct Service Costs			**$12,750**
Indirect Service Costs			
Salary			
Full Time Nurse	50,000/yr + 15% benefits	$57,500	
Part Time Nurse	30,000/yr+15% benefits	$34,500	
Health Assistant	35,000/yr +15% benefits	$40,250	
Total Indirect Service Costs			**$132,250**
Other Operating			
Overhead Expenses			
Band Janitorial/Maintenance	10 hrs/wk / 52 wks @ $12/hr	$6,240	
Vehicle gas and maintenance costs	$200/MONTH	$2,400	
Insurance	$1400 /YEAR	$1,400	
Telephone	$100/MONTH	$1,200	
Electric	$200 /MONTH	$2,400	
Heating	$200 /MONTH	$2,400	
Administration Expenses			
Band Accounting Services	2hrs/wk / 52 wks @ 25$/hr	$2,600	
Total Other Operating			**$16,040**
Total Budget Requested			**$161,040**

Appendix B

Recipient ABC
Cash Flow
Nursing Services

Item	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	Total
Full Time Nurse	4792	4792	4792	4792	4792	4792	4792	4792	4792	4792	4792	4792	57500
Part Time Nurse	2875	2875	2875	2875	2875	2875	2875	2875	2875	2875	2875	2875	34500
Health Assistant	3354	3354	3354	3354	3354	3354	3354	3354	3354	3354	3354	3354	40250
Medical Supplies,	325	325	325	325	325	325	325	325	325	325	325	325	3900
Pharmaceuticals	542	542	542	542	542	542	542	542	542	542	542	542	6500
Equipment Replacement			300										300
Exam room supplies	108	108	108	108	108	108	108	108	108	108	108	108	1300
Education Pamphlets					750								750
Band Administration			650			650			650			650	2600
Band Janitorial/Maint.			1560			1560			1560			1560	6240
Vehicle Expenses	200	200	200	200	200	200	200	200	200	200	200	200	2400
Insurance						1400							1400
Telephone	100	100	100	100	100	100	100	100	100	100	100	100	1200
Electric	200	200	200	200	200	200	200	200	200	200	200	200	2400
Heating	200	200	200	200	200	200	200	200	200	200	200	200	2400
TOTAL BY MONTH	**12696**	**12696**	**15206**	**12696**	**13446**	**16306**	**12696**	**12696**	**14906**	**12696**	**12696**	**14906**	**163640**

Appendix C

Recipient ABC
Expenditure Report
Nursing Services

	Budgeted	Current Expenses June	Year to Date Expenses
Direct Service Costs			
Medical Supplies,	$3,900	$60	$190
Pharmaceuticals	$6,500	$800	$1,750
Equipment Replacement	$300	$0	$0
Exam room supplies	$1,300	$35	$105
Education Pamphlets	$750	$0	$0
Total Direct Service Costs	**$12,750**	**$895**	**$2,045**
Indirect Service Costs			
Salary			
FT Nurse	$57,500	$4,792	$14,375
PT Nurse	$34,500	$0	$5,750
Health Assistant	$40,250	$3,354	$10,063
Total Indirect Service Costs	**$132,250**	**$8,146**	**$30,188**
Other Operating			
Overhead			
Band Janitorial/Maintenance	$6,240	$1,560	$1,560
Vehicle gas and maintenance costs	$2,400	$130	$315
Insurance	$1,400	$0	$0
Telephone	$1,200	$210	$325
Electric	$2,400	$150	$445
Heating	$2,400	$0	$375
Two New Chairs	$0	$180	$180
Administrative			
Band - Accounting Services	$2,600	$650	$650
Total Other Operating	**$18,640**	**$2,880**	**$3,850**
Total	**$163,640**	**$11,921**	**$36,083**