



Indigenous Relations

October 2017

Summary

There are no new recommendations to the Department of Indigenous Relations in this report.

The department has implemented our October 2014 recommendation to improve its estimation processes—see below.

Findings and Recommendations

Department

Matters from prior audits

Estimation processes—recommendation implemented

Context

In 2014¹ we recommended that the department improve its financial reporting processes to ensure estimates are reasonable and reliably supported. We repeated this recommendation in 2015 and 2016.²

Indigenous Relations' management makes three significant accounting estimates that affect its financial statements. Management bases the accrued liability and the related receivable from the federal government related to the recovery from the 2013 Southern Alberta flooding on First Nations Land on significant estimates. Management also estimates contingent liabilities resulting from legal and land claims against the ministry.

The department makes estimates in its financial statements when there is not a single, definite number that represents what amount management should record on the financial statements. Estimates rely on the professional judgment of those making the estimate.

In developing an estimate, management must supplement its judgment with:

- information from experts or those intimately involved with the activities that underlie the estimate,
- supported assumptions and whether key assumptions are susceptible to change,
- past experience and past assumptions used in making estimates and how current information impacts past experiences and assumptions, and
- rigorous internal analysis of key information and assumptions to ensure they are reliable and their impact on the estimate is understood.

Our audit findings

The Department of Indigenous Relations has implemented our recommendation.

Management made improvements to the way it creates and supports its estimates related to the 2013 Southern Alberta flooding. We observed improvements in how management obtains and analyzes information from other government departments working on the flood recovery effort. We noted that management obtained information regularly throughout the year and used this information to develop, assess and refine its information and key assumptions.

¹ *Report of the Auditor General of Alberta—October 2014*, no. 14, page 109.

² *Report of the Auditor General of Alberta—October 2015*, no. 7, page 69; *Report of the Auditor General of Alberta—October 2016*, no. 18, page 125.

Management made improvements to its primary process to develop its estimate but also developed a supplementary process to assess the reasonability of its estimates. This process involved using information such as contracts, engineering work and key assumptions developed throughout the year to determine a supportable accounting estimate. Management then compared its two estimates, and their underlying support to arrive at a final, supportable number.

In assessing its estimates for contingent liabilities, management works closely with legal experts from the Department of Justice and Solicitor General. Management obtains legal information throughout the year and works closely with its internal staff familiar with the each claim to ensure the assessments of the legal experts were consistent with internal understanding. We observed that management documented this internal assessment, including the key assumptions it made, and used this information to ensure its estimates for legal and land claims was accurate and appropriately disclosed in the financial statements.

Outstanding Recommendations

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

First Nations Development Fund Grants: Improve review process—repeated May 2017, no. 6, p. 66 (originally July 2013, no. 2, p. 24)

We again recommend that the Department of Indigenous Relations improve its processes to review and approve grant applications by:

- formalizing the additional review processes it developed for complex grant applications
- consistently obtaining sufficient information to support its assessment of complex grant applications

First Nations Development Fund Grants: Monitor for and correct non-compliance—repeated May 2017, no. 7, p. 69 (originally July 2013, no. 3, p. 26)

We again recommend that the Department of Indigenous Relations improve its monitoring processes by consistently ensuring First Nations comply with reporting requirements and acting to correct non-compliance with a grant agreement.