

FINANCE POLICY AUTHORIZATION

Effective Date: [Insert date]

[Insert Council Resolution or reference number]

FINANCE PROCEDURES AUTHORIZATION

Effective Date: [Insert date]

[Insert date]

Chief Administrative Officer Signature

Date

[] First Nation

Finance Policy and Procedures

To assist you in adapting these policies to your First Nation:

Procedures which are considered best practices and **are not** specifically required to meet the FMS Standards or the FAL Standards have been identified in **green**;

Procedures which are required to meet FMB's Standards which **could be** assigned to someone other than the individual identified in the SPP have been identified in **blue**; while

Procedures which are required to meet FMB's Standards and **must be** performed by the individual identified in the SPP remain in **black**; and

Pages that require customization: Authorization and date pages, footer, all pages with green and blue font, pages 16, 18, 19, 20, 25, 26, 38, 39, 41, 50, 51, 58, 59, 60, 61, 62.

Sample Policy and Procedures Issue Date: April 1, 2019

Note: Visit our website at www.fnmb.com to make sure the SPP issue date shown above is the most recent version.

NOTICE TO USERS

This document provides a sample policy and procedures (“SPP”) that meet the requirements in both the Financial Management Systems Standards (the “FMS Standards”) and Financial Administration Law Standards (“the FAL Standards”) established by the First Nations Financial Management Board (“the FMB”) under the First Nations Fiscal Management Act (“the FMA”). The policy and procedures are also consistent with the provisions of the Sample Financial Administration Law (“the Sample FAL”) issued by the FMB. The Sample FAL is one example of a law that meets the requirements of the FAL Standards. There may be many variations in laws that meet the requirements of the FAL Standards. While this SPP is based on the Sample FAL, it should be adapted to fit the specific circumstances of your First Nation as well as your law.

This SPP is part of a collection of sample policies developed by the FMB to assist First Nations with compliance with laws respecting financial administration. These and other sample documents are available for download at no cost from the FMB’s website at www.fnfmb.com.

FORMAT AND STRUCTURE

The sample policies and procedures developed by the FMB are based on a standard format as shown below.

POLICY

Policy Statement – A clear statement that indicates the First Nation’s protocol or rule affecting the specific area.

Purpose – The reason or rationale underlying the policy and procedure.

Scope – The areas, functions, individuals, or departments affected by the policy.

Definitions – Any specialized terms that are not otherwise defined

Responsibilities – Describes who, using generic titles or positions which are used in the FMB’s Standards, is responsible for implementing or maintaining the policy and procedures.

ADMINISTRATIVE PROCEDURES

Procedures – Describes the steps, details, or methods to be used to implement and maintain the policy and procedures.

References – List of applicable documents, policies, laws, and regulations etc. that are used to develop or have influence on policy.

Attachments – The forms, reports, or records that are generated from policy.

DISCLAIMER: While the FMB has used its best efforts in developing sample policies and procedures that can be used by a broad range of First Nations, it makes no express or implied representations or warranties with respect to the accuracy or completeness of the contents of the sample policy or its suitability for a particular First Nation. This SPP has been developed to conform to the requirements of the FMB’s Financial Management System Standards and Financial Administration Law Standards as of the issue date shown on the cover of this policy. Users accept that the FMB’s Standards and the FNFMA, under which those Standards are made, may be revised from time to time and therefore it is advised that users check the FMB’s website for the most updated version when considering the adoption of this sample SPP.

This SPP is a sample only. The FMB accepts no liability whatsoever for any damages caused by, or arising from, the use, adaptation or implementation of this SPP. First nation users of this SPP retain full responsibility for ensuring that their own policies and procedures meet the needs and requirements of the First Nation.

TABLE OF CONTENTS

| | |
|--|----|
| 1. DEFINITIONS | 5 |
| 2. ANNUAL PLANNING AND BUDGETING..... | 12 |
| 2.1 Annual Integrated Planning Process | 14 |
| 2.2 Budget | 14 |
| 2.3 Strategic Plan | 15 |
| 2.4 Multi-Year Financial Plan | 15 |
| 2.5 Plan and Budget Amendments..... | 16 |
| 3. FINANCIAL AND OPERATIONAL REPORTING | 17 |
| 3.1 Financial Reports List..... | 18 |
| 3.2 Financial Statement Preparation | 19 |
| 3.3 Financial Reporting Risks | 20 |
| 3.4 Fiscal Year..... | 21 |
| 3.5 Annual Report..... | 21 |
| 4. FINANCIAL INSTITUTION ACCOUNT AND CASH MANAGEMENT | 23 |
| 4.1 Financial Institution Account Management | 24 |
| 4.2 Cash Receipts | 25 |
| 4.3 Petty Cash | 26 |
| 4.4 Cheque Stock | 27 |
| 4.5 Credit Lines..... | 27 |
| 4.6 Opening a Financial Institution Account | 27 |
| 4.7 Closing a Financial Institution Account..... | 27 |
| 4.8 Account Reconciliation..... | 28 |
| 4.9 Independent Review | 28 |
| 4.10 Irregularities | 29 |
| 5. PURCHASING | 31 |
| 5.1 Purchasing of Goods and Services | 31 |
| 5.2 Competitive Purchasing Process | 32 |
| 5.3 Exceptions to the Competitive Purchasing Process | 32 |
| 5.4 Approval, Initiation and Monitoring | 33 |
| 5.5 Documentation Requirements..... | 33 |
| 5.6 Monitoring of Suppliers | 33 |
| 5.7 Encouraging new suppliers | 33 |

| | | |
|------|--|----|
| 6. | EXPENDITURES | 36 |
| 6.1 | General and Operational Expenditures | 37 |
| 6.2 | Payroll..... | 38 |
| 6.3 | Reimbursable Expenses | 38 |
| 6.4 | Other Travel Expenses | 39 |
| 6.5 | Memberships | 40 |
| 6.6 | Reporting and Documentation..... | 40 |
| 6.7 | Approval for Payment | 41 |
| 6.8 | Payments..... | 41 |
| 7. | BORROWING | 44 |
| 7.1 | Determination of Need and Evaluation of Options..... | 45 |
| 7.2 | Approval | 45 |
| 7.3 | Management and Monitoring of Borrowings | 46 |
| 7.4 | Reporting on Borrowings..... | 46 |
| 7.5 | Records Management..... | 46 |
| 8. | LENDING, GUARANTEES AND INDEMNITIES | 48 |
| 8.1 | Requirements | 49 |
| 8.2 | Leases | 51 |
| 8.3 | Accessibility | 51 |
| 8.4 | Collection | 52 |
| 8.5 | Debt Forgiveness..... | 52 |
| 8.6 | Write-offs | 52 |
| 8.7 | Monitoring and Reporting..... | 53 |
| 8.8 | Record Keeping | 53 |
| 9. | INVESTMENTS..... | 54 |
| 9.1 | Determine Investment Management Strategy | 55 |
| 9.2 | Selection of Investment Manager | 55 |
| 9.3 | Termination of Investment Manager..... | 56 |
| 9.4 | Designation and Transfers of Investment Funds | 56 |
| 9.5 | Local Revenues Permitted Investments | 56 |
| 9.6 | Monitoring of Investments | 56 |
| 9.7 | Re-balancing of the Investment Portfolio..... | 57 |
| 10. | CAPITAL ASSETS | 58 |
| 10.1 | Capital Asset Register..... | 59 |
| 10.2 | Annual Inspection and Review | 60 |
| 10.3 | Safeguarding Assets..... | 61 |

| | |
|---|----|
| 10.4 Maintenance of Assets..... | 61 |
| 10.5 Life Cycle Management Program..... | 61 |
| 10.6 Capital Projects..... | 62 |
| 10.7 Construction Management..... | 62 |
| 10.8 Acquisition of Capital Assets..... | 63 |
| 10.9 Capital Asset Reserve Fund..... | 63 |
| 10.10 Disposal of Capital Assets..... | 63 |
| | |
| 11. INSURANCE POLICY..... | 64 |
| 11.1 Identify Significant Material Risks..... | 65 |
| 11.2 Identify and Purchase Insurance Products..... | 65 |
| 11.3 Approval for Insurance Coverage..... | 65 |
| 11.4 Maintenance of Insurance Coverage..... | 65 |
| | |
| 12. RISK MANAGEMENT..... | 67 |
| 12.1 Annual Risk Management Planning..... | 68 |
| 12.2 Fraud Risk Assessment..... | 69 |
| 12.3 For-profit Business Activity Risk Management Considerations..... | 69 |
| 12.4 Lending, Guarantees and Indemnities..... | 69 |
| 12.5 Investment Risk Assessment..... | 70 |
| 12.6 Financial Reporting Risks..... | 70 |
| 12.7 Insurance and Emergency Operations Continuity Plans..... | 70 |
| | |
| 13. EMERGENCIES AND OPERATIONS CONTINUITY..... | 71 |
| 13.1 Analyze the Current Situation..... | 71 |
| 13.2 Develop the Emergency and Operations Continuity Plan..... | 72 |
| 13.3 Implement the Plan..... | 73 |
| 13.4 Annual Review..... | 73 |
| | |
| 14. FINANCIAL MANAGEMENT SYSTEM IMPROVEMENT..... | 74 |
| 14.1 Financial Management System Review..... | 75 |
| 14.2 Internal Assessments..... | 75 |
| 14.3 Continual Improvement Process..... | 75 |
| 14.4 Review of Financial Administration Law..... | 76 |
| 14.5 Membership Information or Involvement..... | 76 |

1. DEFINITIONS

| | |
|--------------------------------------|---|
| “Arrears” | unpaid, overdue debt, or an unfulfilled obligation |
| “Assets” | anything of value owned by the First Nation |
| “Asset Recognition Criteria” | criteria to be used to set the threshold for determining whether a capital asset must be included in the capital asset register |
| “Assign” | transfer of duties or functions from one person to another where the former person (the assignor) retains responsibility for ensuring the activities are carried out |
| “Authorization and Delegation Table” | a table approved by Council specifying the delegation and assignment authorities over decisions or activities related to the First Nation’s financial administration |
| “Budget” | a plan or outline of expected money and spending over a specified period |
| “Capital Assets” | tangible capital assets (physical assets) such as buildings, land, and major equipment |
| “Capital Plan” | a consolidated plan or outline of expected money and spending of all capital projects to be undertaken in a fiscal year |
| “Capital Project” | the construction, rehabilitation or replacement of the First Nation’s capital assets and any other major capital projects in which the First Nation or its related entities are investors |
| “Capital Project Plan” | a project management plan to carry out a capital project that includes the budget |
| “Cash” | money, cheques, money orders, and equivalent forms of currency |
| “Cash Reserves” | money that a company keeps on-hand to meet short-term and emergency funding needs |
| “Classification” | process of categorizing records in an organized way |
| “Chairperson” | head of a meeting, department, committee, or board. The vice-chairperson acts as the head when the chairperson is not there |
| “Chief Administrative Officer” | person who is responsible for leading the day-to-day administration or management of the First Nation and who reports directly to Council |

| | |
|-------------------------------|--|
| “Code of Conduct Declaration” | statement that Council, committee members, employees, and contractors must sign on an annual basis that states they understand and agree to the First Nation government’s code of conduct |
| “Committee” | group of people appointed by Council for advising Council or conducting decision-making activities assigned by Council until or unless they are suspended or disbanded by Council |
| “Conflict of Interest” | situation of personal gain at the expense of others |
| “Contract” | legally binding agreement between two parties |
| “Control” | policy, procedure, or process put in place to manage a First Nation government’s administration |
| “Corrective Actions” | steps taken to deal with job-related behavior that does not meet agreed upon and communicated performance expectations |
| “Cost” | amount of money to be paid or spent to obtain something |
| “Council” | elected or appointed official representatives of the First Nation that includes Chief, Councillors and the equivalent terminology used by the First Nation |
| “Debt” | something that is owed or due, usually money |
| “Deficit” | shortage that occurs when an organization spends more money than it has on-hand over a period |
| “Delegation” | transfer of specific responsibilities from one person to another |
| “Director of Finance” | person responsible for the day-to-day management of the First Nation’s finances |
| “Direct Supervisor” | employee responsible for managing and overseeing the work and development of other staff |
| “Eligibility Criteria” | requirements set by Council which must be met by an individual to be considered independent and eligible to be appointed to the Finance and Audit Committee |
| “Engagement Letter” | written document prepared by the auditor that serves as a contract to confirm the audit arrangements between the auditor and the First Nation government; it is required by Canadian Generally Accepted Auditing Standards |

| | |
|----------------------------|---|
| “Entity” | corporation, partnership, joint venture or unincorporated association or organization whose financial transactions are consolidated in the First Nation government’s financial statements in accordance with GAAP |
| “Expenditure” | amount of money spent by the First Nation government to buy goods or services |
| “Expenses” | amount of money spent on transportation, accommodation, meals, hospitality or incidentals, to be paid back (reimbursed) |
| “Financial Competency” | ability to read and understand the First Nation government’s financial statements |
| “Financial Reporting Risk” | possibility of a significant error in financial information often caused by weak internal controls or fraud |
| “Financial Statement” | formal record of all money and property of the First Nation within a specific period |
| “Fiscal Year” | twelve-month period used for tax or accounting purposes |
| “Fraud” | wrongful or criminal act that involves lying or holding back information; this is usually done for personal or financial gain |
| “GAAP” | Canadian Generally Accepted Accounting Principles, the framework of accounting guidelines, rules and procedures |
| “HR Records” | records that contain information on an individual’s hiring, job duties, compensation, performance, and general employment history |
| “Indemnity” | security or protection against a loss or other financial commitment |
| “Independence” | eligibility criteria for finance and audit committee membership defined as an individual who does not have a direct or indirect relationship with the First Nation government that could, in the opinion of Council, reasonably interfere with the individual’s judgment as a member of the finance and audit committee an individual with a role in the financial management of the First Nation involving planning, organizing, directing or controlling of its financial activities – |

| | |
|-------------------------------------|--|
| | including budgeting, financial accounting, financial reporting, procurement and use of funds, does not meet the minimum independence requirements for finance and audit committee membership |
| “Information” | knowledge received and any documented material regardless of source or format |
| “Information Security” | way a First Nation government protects information from unauthorized access, use, modification, or destruction |
| “Integrated Planning and Budgeting” | annual process of planning and budgeting activities across every level of the First Nation government that are linked, coordinated, and driven by the First Nation’s vision and strategic objectives |
| “Internal Assessment” | review of an activity/process by an independent First Nation staff member (i.e. an individual not responsible for or involved in the activity) to determine the effectiveness of that specific activity or process |
| “Investment” | an asset or item bought with the hope that it will gain value or provide income in the future |
| “Life-Cycle Plan” | plan of the First Nation’s assets in terms of costs to buy, operate, upkeep and get rid of over a specified period |
| “Loan Guarantee” | promise to pay all or a part of the principal and/or interest on a debt obligation in the event of default by the borrower |
| “Local Revenues” | term used to describe property taxes under the <i>First Nations Fiscal Management Act</i> |
| “Materiality” | financial amount that the First Nation government considers significant, typically large amounts; the materiality threshold is the minimum financial amount that a First Nation government considers significant |
| “Misconduct or Wrongdoing” | breach of the First Nation’s Financial Administration Law including conflict of interest provisions, code of conduct, Council-approved policies and administrative procedures |
| “Officer” | Chief Administrative Officer, Director of Finance, Tax Administrator or any other employee of the First Nation government designated by the Council as an Officer |

| | |
|--------------------------------|--|
| “Organizational Chart” | visual representation of the different positions in a First Nation government that clearly shows reporting relationships (who reports to who) |
| “Performance Improvement Plan” | plan developed by an employee’s direct supervisor, in consultation with the employee, to address the areas for improvement/development identified during the performance review process |
| “Personal Information” | information about a specific individual. In addition to common items such as an individual’s name, gender, physical characteristics, address, contact information, identification and file numbers - it also includes criminal, medical, financial, family and educational history as well as evaluative information and other details of an individual’s life |
| “Privacy Protection” | rules a First Nation government puts in place to collect, create, use, share/disclose, retain, protect and dispose of the Personal Information that it needs for its administration |
| “Projection” | estimates for a future situation based on all the information available now |
| “Purchase Order” | document stating the wish of a buyer to purchase something from a seller that shows the exact details of the items the buyer wishes to buy |
| “Purchasing” | buying an asset or item. Also referred as “procurement” per the First Nations Financial Management Board Standards |
| “Record” | information created, received, and maintained by the First Nation government for operational purposes or legal obligations. A record may be electronic, or hardcopy paper based |
| “Recordkeeping” | how an organization creates, obtains, and manages records |
| “Rehabilitation” | asset alteration, extension and renovation but does not include routine maintenance |
| “Remuneration” | salaries, wages, commissions, bonuses, fees, honoraria and dividends and any other monetary and non-monetary benefits |
| “Replacement” | substitution, in whole or in part, with another of the First Nation government’s capital assets |

| | |
|--------------------------|--|
| “Requisition” | purchase order used by the First Nation government when recording expenditures |
| “RFP” | Request for Proposal, competitive process followed by the First Nation government to enter into a major service contract. RFPs lay out the First Nation government’s needs and conditions and leave it up to the potential contractors to present a proposal that shows their experience, skills and ability to carry out the contract within time and cost specifications |
| “Risk” | possibility of a loss or other negative event that could threaten the achievement of a First Nation government’s goals and objectives |
| “Sole Source” | contract entered into by the First Nation government without a competitive process to purchase goods and/or services |
| “Special Committee” | committee formed for a specific purpose and is dissolved when that purpose has been achieved |
| “Special Purpose Report” | financial report on a specific activity |
| “Standing Committee” | committee that has an ongoing purpose |
| “Tax Administrator” | person responsible for managing the local revenues and local revenue account on a day-to-day basis, if the First Nation government is collecting local revenues |
| “Terms of Reference” | outline of the purpose and structure of a project, committee, meeting, or negotiation |
| “Travel Status” | pre-approved travel on official First Nation government business by an individual’s direct supervisor; Travel Status begins from the individual’s place of work (e.g. the First Nation government office) to the approved destination and ends once they return to their place of work |
| “Useful Life” | estimate of how long a capital asset is expected to be used by the First Nation government; the life of a capital asset may extend beyond the Useful Life and the life of a capital asset, other than land, is fixed (limited) |
| “Value for Money” | best combination of price, quality, and benefits of a product or service |

“Virtual Private Network”

VPN is a way to use public telecommunication infrastructure, such as the internet, to provide remote offices or individual users with secure access to the First Nation government’s virtual network

2. ANNUAL PLANNING AND BUDGETING

POLICY

Policy Statement

It is Council's policy to establish a process for establishing the First Nation's short and long-term priorities and goals and linking them to operations and spending.

Purpose

The purpose of this policy is to make sure that a comprehensive planning process is established to support the on-going decision making of the First Nation. This is to make sure that the First Nation has enough resources to deliver quality services to members at a reasonable cost and support it in achieving its goals.

Scope

This policy applies to Council and employees of the First Nation involved in the planning and budgeting process.

Responsibilities

Council is responsible for:

- reviewing and approving the annual budget and ensuring that it was prepared in accordance with the First Nation's Financial Administration Law and other applicable First Nation laws, and provides for required programs and services
- reviewing and approving any circumstances that are expected to create a budget deficit including consideration of any recommendations from the Finance and Audit Committee on plans to eliminate the budget deficit in a future period
- reviewing and approving other planning documents including but not limited to a strategic plan, capital budget, and a multi-year financial plan
- reviewing and approving the annual materiality threshold for budget amendments
- reviewing and approving any amendments to the annual budget or other planning documents
- ensuring that a process is in place to address membership priorities in the strategic plan and other planning documents as appropriate
- ensuring that the membership of the First Nation is informed about or involved in the preparation of the annual budget, multi-year financial plan, projected budget deficits or projected extraordinary expenditures as set out in the First Nation's Financial Administration Law
- establishing general budget policies such as requirements for a balanced budget and use of cash reserves

The Finance and Audit Committee is responsible for:

- reviewing the draft annual budget and multi-year financial plan and recommending them to Council for approval
- providing recommendations to Council respecting plans to eliminate budget deficits in a future year
- reviewing draft amendments of the annual budget and recommending them to Council for approval
- reviewing information, schedules and proposed budget for rehabilitation or replacement of capital assets and plans for new construction of capital assets

The Chief Administrative Officer is responsible for:

- creating a planning and budgeting calendar and making sure deadlines are met – subject to the First Nation's Financial Administration Law
- making sure that the budgeting calendar is met by arranging necessary budgeting planning meetings with Council and employees
- reviewing draft budgets and budget amendments in consultation with the Finance and Audit Committee
- reviewing other draft planning documents in consultation with the Finance and Audit Committee
- communicating the approved budget to employees
- conducting regular financial monitoring to compare actual income and expenditures to those budgeted
- maintaining a current register of all First Nation's capital assets and arranging for annual inspections

The Director of Finance is responsible for:

- establishing the format for draft budgets
- participating in budget planning sessions with Council, the Finance and Audit Committee, Chief Administrative Officer and other key stakeholders
- collaborating with the appropriate employees in setting draft expenditures for their respective department
- preparing the draft budget or consolidating and evaluating draft budgets from departments for accuracy, reasonableness, applicable guidelines, and anticipated resources in accordance with the Financial Administration Law
- developing revenue projections based on reviews of fiscal transfer agreements and collaboration with other Officers on own source revenues projections
- recommending the annual materiality threshold for budget amendments to the Finance and Audit Committee for recommendation to Council for approval
- preparing and communicating to the Finance and Audit Committee budget amendments that meet the Council approved materiality threshold, for recommendation to Council for approval
- presenting draft annual budgets to the Chief Administrative Officer and to the Finance and Audit Committee on an annual basis

- implementing financial monitoring, including preparing and analyzing budgeted versus actual revenue and expenditure reports for the Finance and Audit Committee use and overseeing any Council approved budget amendments after the annual budget is approved
- making projections and preparing budgets for capital assets
- any other responsibilities as outlined in the Financial Administration Law

ADMINISTRATIVE PROCEDURES

Procedures

2.1 Annual Integrated Planning Process

An annual planning session will be held within the timeframe set out in the annual planning and budget calendar. The planning session will generally include:

- Council, Finance and Audit Committee members, Chief Administrative Officer, Director of Finance, and other appropriate employees
- development or communication of operational goals and objectives based on priorities established by Council
- presentation of budgeting calendar
- development or update of key budget assumptions, constraints, and cost drivers for current year and the multi-year plan
- development or update of a multi-year capital plan to ensure the effective management of capital assets which identifies and prioritizes expected needs, costs, and expected sources of financing
- development or update of strategic plan, goals and objectives

2.2 Budget

Based on the annual integrated planning session, the initial operating budget estimates will be prepared and the multi-year capital budget estimates will be prepared or updated accordingly.

Capital budgeting estimates should include all capital improvement projects (purchase, construction, or renovation of physical facilities) and all capital equipment expenditures.

Any projected deficit must be accompanied by a report that outlines the contributing factors and circumstances and the plan by which it will be eliminated in a future year.

The draft budget will be presented for discussion at a Finance and Audit Committee meeting.

Where a projected deficit exists, the Finance and Audit Committee will provide recommendations to Council on plans to eliminate the budget deficit in a future year.

The final draft budget recommended for approval to Council by the Finance and Audit Committee will be approved by Council no later than March 31st of the fiscal year preceding the budget year.

The draft budget must meet the requirements of the First Nation's Financial Administration Law and the integrated planning process must comply with the schedule for planning activities set out in that Law.

2.3 Strategic Plan

Based on the annual integrated planning session, a strategic plan will be prepared that will include:

- development of a community vision that provides the guiding principle of the plan
- development of a community priorities list (e.g. housing, education, etc.)
- setting a realistic timeframe to implement the plan
- identifying the requirements to implement the plan (i.e. using legislative tools of governance and public finance to support activities or the need to acquire additions to reserve, or invest in new businesses to generate additional revenues etc.)
- determining how the implementation of the plan will be resourced

The plan should include community input on the vision and priorities.

The plan will include a long-term vision for the First Nation and be used to guide financial and community decision-making.

The strategic plan will be reviewed on a periodic basis and updated as necessary.

2.4 Multi-Year Financial Plan

Based on the annual integrated planning session, a multi-year financial plan that has a planning period of five years (the current fiscal year and the next four fiscal years) will be prepared that will also include the following:

- revenue projections by major revenue type that demonstrate trends in existing revenue streams
- expenditure projections that set out separate amounts for payments, including payments of principal and interest on debt, payments required for capital projects as defined in the Financial Administration Law, payments required to address any deficits and payments for all other purposes
- projected transfers between accounts that include the amounts from the capital asset reserve account
- all categories of restricted cash
- projected deficits or surpluses

The draft multi-year financial plan will be presented for discussion at a Finance and Audit Committee meeting. The Committee may accept the plan as presented or request amendments, within the context of the operating objectives and the strategic plan.

The final multi-year financial plan recommended for approval to Council by the Finance and Audit Committee will be adopted as a formal planning document no later than March 31st of each fiscal year.

2.5 Plan and Budget Amendments

Amendments to budgets are limited to situations of material changes to the projected revenues or expenditures of the First Nation or to the expenditure priorities of Council. Materiality is approved by Council each year as indicated in the Delegation and Authorization Table.

Budget amendments will be brought to the Finance and Audit Committee for review and recommendation to Council.

On or before [June 15] of each year the Director of Finance must prepare and submit to the Finance and Audit Committee for review a draft amendment of the component of the annual budget respecting the First Nation's local revenue account.

On or before [June 30] of each year, the Finance and Audit Committee must review the draft amendment of the component of the annual budget respecting the First Nation's local revenue account.

No later than [July 15] of each year, the Council must approve the amendment of the component of the annual budget respecting the First Nation's local revenue account.

References and Related Authorities

FMB's Financial Management System Standards

- Standard 15.0 – Integrated Process
- Standard 17.0 – Financial Plan
- Standard 18.0 – Budgets
- Standard 25 – Tangible Capital Assets

FMB's Financial Administration Law Standards

- Standard 15.0 – Multi-year Financial Plan
- Standard 16.0 – Budgets

3. FINANCIAL AND OPERATIONAL REPORTING

POLICY

Policy Statement

It is Council's policy to establish financial and operational processes that promote transparency and accountability and to communicate to members the First Nation government's progress towards achieving its goals.

Purpose

The purpose of this policy is to establish financial and operational reporting requirements and practices to provide timely, accurate and relevant financial and operational information to decision-makers. This will support the First Nation in assessing progress toward achieving its goals.

Scope

This policy applies to all financial operations and activities of the First Nation including those operations that the First Nation controls. The persons affected by this policy include Council, Finance and Audit Committee, Officers and employees of the First Nation.

Responsibilities

Council is responsible for:

- reviewing the financial statements and reports and the Finance and Audit Committee's corresponding recommendations
- approving the financial reports list, the financial statements and reports
- determining the preferred level of auditor involvement for the report to be issued by the auditors on the special purpose reports referred to in the FAL
- documenting procedures for identification of risks

The Finance and Audit Committee is responsible for:

- [determining the financial reports list contents and frequency of reporting it requires from the First Nation](#)
- [reviewing the financial reports list](#), quarterly and annual financial statements and reports and the Chief Administrative Officer's corresponding recommendations and making appropriate recommendations to Council

The Chief Administrative Officer is responsible for:

- identifying, assessing, monitoring and reporting on financial reporting risks to the Finance and Audit Committee
- monitoring and reporting on the effectiveness of mitigating controls for the financial reporting risks and fraud risks taking into consideration the cost of implementing these controls

- ensuring that financial reporting risk assessment and management practices have been performed in relation to quarterly and annual financial statements
- periodically reviewing these policies in consultation with the Director of Finance and other staff as appropriate and recommending any updates to the Finance and Audit Committee

The Director of Finance is responsible for

- preparing and updating the financial reports list
- preparing the financial statements and reports in accordance with Canadian GAAP and this policy and procedure
- reviewing the financial statements and reports and making appropriate recommendations to the Finance and Audit Committee
- assessing and managing financial reporting risk and reporting risks to the Chief Administrative Officer
- developing and recommending procedures for identifying and mitigating financial reporting risks and fraud risks and ensuring approved procedures are followed
- providing all requested information related to the preparation of financial statements and reports and the assessment and management of Financial Reporting Risk
- [if the First Nation has a loan from the First Nations Finance Authority (FNFA) that is secured by other revenues: maintaining a complete set of all records respecting other revenues of the First Nation, including all records referred to in section 5 of the Local Revenue Management Implementation Regulation as amended by the Financing Secured by Other Revenues Regulations]

ADMINISTRATIVE PROCEDURES

Procedures

3.1 Financial Reports List

Council and the Finance and Audit Committee, with the assistance of the Director of Finance, is responsible for preparing a list of all financial statements and reports that are to be prepared on a regular basis.

The financial reports list must include the required monthly financial information, as well as quarterly and annual financial statements.

Monthly financial reports prepared by the Director of Finance will be tailored to the needs of the First Nation for monitoring purposes in the form and content recommended by the Finance and Audit Committee and approved by Council. The monthly financial reports will be provided to [one or more of Council, the Finance and Audit Committee or the Chief Administrative Officer], as written in the FAL.

If the First Nation has borrowed money from the FNFA secured by other revenues, these other revenues must be accounted for and reported on separately.

For each report or financial statement listed, the following information must also be identified:

- a brief description or contents of the report
- the person responsible for its preparation
- when it is to be made available and its frequency
- the report's distribution list

The Director of Finance will review and update the financial reports list quarterly and annually and submit the list to the Finance and Audit Committee quarterly and annually for their review and recommendation.

Council will review and approve the financial reports list quarterly and annually.

3.2 Financial Statement Preparation

The Director of Finance will prepare monthly information on the financial affairs of the First Nation and its quarterly and annual financial statements. Other financial reports that are listed in the approved financial reports list will be prepared by the Director of Finance.

Quarterly financial statements will be provided to the Finance and Audit Committee and Council no later than 45 days following the end of the quarter for which they were prepared.

The quarterly financial statements will be considered and recommended to Council by the Finance and Audit Committee no later than [x] days following quarter end and considered and approved by Council no later than [x] days following quarter end.

Each quarterly financial statement will include the following for the First Nation:

- a statement of revenue and expenditures containing a comparison to the approved annual budget
- a statement of financial position
- [financial information for the local revenue account as required by the Financial Administration Law [and the Local Revenue Policy]
- [if the First Nation has borrowed money from the First Nations Finance Authority secured by other revenues: Financial information on these other revenues]
- any other information requested by the Finance and Audit Committee or Council

Each annual financial statement will include the following for the First Nation:

- the financial information and disclosures for the First Nation for the fiscal year prepared in accordance with Canadian GAAP
- a special purpose report setting out all payments made to honour guarantees and indemnities
- a special purpose report setting out the information required in the Financial Administration Law (Reporting of Remuneration and Expenses)
- a special purpose report setting out all debts or obligations forgiven by the First Nation
- any other report required under the Act or an agreement

Annual financial statements will be prepared according to a standard “financial closing and reporting process checklist”.

Annual financial statements will be presented to the Finance and Audit Committee no later than [90] days following the end of the fiscal year for which they were prepared.

The Finance and Audit Committee will review the annual financial statements, the accompanying information and the Director of Finance's comment(s) and recommendation(s). Subsequently, the Finance and Audit Committee will forward the financial statements, accompanying information, and its comment(s) and recommendation(s) to Council no later than [105] days following the end of the fiscal year for which they were prepared.

Council will review the annual financial statements (other than those prepared for local revenues), the accompanying information, and the recommendation(s) of the Finance and Audit Committee and the Chief Administrative Officer and approve no later than 120 days after the fiscal year end.

If the financial statements are not approved by Council, a documented rationale will be communicated to the relevant Officer(s) for corrective action. The financial statements will be re-submitted for approval within the timeframe stated by Council.

A "financial reporting record" file will be created for each annual financial statement. The financial statement record file will at a minimum contain the:

- financial statements presented to Council for approval
- record of, or reference to Council's decision to approve or not approve the financial statements, the Finance and Audit Committee's recommendation(s), and the Director of Finance's recommendation(s)

The financial reporting record file will be classified as confidential and secure, and maintained according to the relevant policy. Retention period will be seven years unless otherwise specified by Council policy.

3.3 Financial Reporting Risks

Annually, as part of the evaluation process, the Chief Administrative Officer will make sure that the persons engaged in the financial management system:

- have the necessary knowledge, skills and competence to perform the services for which they have been engaged
- confirm in writing that they understand their responsibilities

The Director of Finance will develop a "financial closing and reporting process checklist" for use at the end of each fiscal year, which will include procedures to mitigate financial reporting risk. The financial closing process checklist will include the following minimum procedures:

- reconciliation / analysis of all statement of financial position accounts with approval by the Director of Finance; in those instances, where the Director of Finance prepared the reconciliation or analysis, then the Chief Administrative Officer will be required to approve the reconciliation or analysis (or alternatively a member of the Finance and Audit Committee)

- review of trade, loan and other receivable balances to identify late payments; late payments followed up on and have been reviewed for collectability and any necessary adjustment to the allowance for doubtful accounts has been prepared
- reconciliation of general ledger balances with sub-ledger balances (e.g. trade accounts receivable, trade accounts payable, contribution receivable, etc.)
- search for unrecorded liabilities and preparation of accrual journal entries, including:
 - reconciliation of supplier statements
 - review of unmatched receiving information
 - review of unmatched purchase orders
 - review of numerical continuity of purchase orders
 - review of current contracts for supplies or services, including follow-up with supplier when necessary
 - department/program inquiries for any invoices, expense reports, commitments or any other knowledge of liabilities incurred at reporting date
- reconciliation of payroll expense to the payroll register and bank account balance
- preparation of non-recurring journal entries with supporting documentation
- review of recurring journal entries for preparation, approval, and recording by the Director of Finance
- review of financial statements for accuracy, additions, and cross-references and for agreement with the general ledger
- presentation of financial statements has been reviewed; necessary disclosures and reclassification entries have been prepared and have been approved by the Director of Finance
- provision of draft departmental financial statements to respective departments for review, comment and budgetary variance explanations
- the Director of Finance is satisfied that the financial statements are accurate and presented in accordance with Canadian GAAP

Changes to the accounting software (i.e. new system or major changes to the current system set-up) require authorization from the Director of Finance and consultation and communication with the Finance and Audit Committee and Council. Changes such as the addition/deletion/modification of general ledger accounts, customer/member accounts, or vendor accounts require approval from the Director of Finance.

3.4 Fiscal Year

The fiscal year for the First Nation will be the period beginning on April 1 and ending on March 31 of the following year.

3.5 Annual Report

The Council must prepare and publish an annual report within the earlier of 180 days after the fiscal year end, or the timeline specified in the Financial Administration Law, that details the progress towards the financial and operational goals of the First Nation over the course of the fiscal year.

The annual report will contain, at a minimum, the following:

- a description of the services provided by the First Nation and its operations
- a progress report on any established objectives and performance measures of the First Nation
- reference to the audited annual financial statements for the previous fiscal year
- reference to any special purpose reports

The annual report will be made available to all members of the First Nation as required by the Financial Administration Law, and provided to all Council members, the First Nations Finance Authority, and other organizations as required no later than 180 days after the fiscal year end.

The Council must make sure that a remedy process is available to First Nation members who have requested but have not been provided with the annual report of the First Nation within the required timeframe.

References and Related Authorities

FMB's Financial Management System Standards

- Standard 14.0 – Fiscal Year
- Standard 20 – Risk Management
- Standard 21.0 – Financial Reporting
- Standard 23.0 – Annual Reports

FMB's Financial Administration Law Standards

- Standard 20.0 – Financial Reporting
- Standard 23.0 – Annual Report

4. FINANCIAL INSTITUTION ACCOUNT AND CASH MANAGEMENT

POLICY

Policy Statement

It is Council's policy to establish effective and efficient controls for all banking activities and financial service agreements with financial institutions.

Purpose

The purpose of this policy is to specify authorities and responsibilities over banking activities including signing and approval authorities, opening and closing of accounts, and processing transactions. Having control over access to, and the management of, the First Nation's bank accounts limits the chance of loss of money.

Scope

This policy applies to Council, Officers, and employees assigned financial institution account responsibilities.

Responsibilities

Council is responsible for:

- approving the addition or the removal of authorized signatories for each financial institution account used by the First Nation
- designating the financial institutions that the First Nation may conduct banking activities with
- approving the establishment of an operating line of credit or overdraft account

The Finance and Audit Committee is responsible for

- ensuring significant irregularities or unusual reconciling items are investigated

The Director of Finance is responsible for:

- representing the First Nation in dealing with financial institutions
- coordinating the opening, maintenance and closing of bank accounts
- assigning banking duties and ensuring that adequate segregation of duties is maintained
- making sure physical safeguards are implemented over any handling of cash and blank cheques
- making sure all money received by the First Nation is deposited as soon as practicable into the appropriate accounts
- approving and doing an independent review of monthly bank reconciliations for each financial institution account

- making sure that a reconciliation is performed each month for every financial institution account
- documenting and alerting the Finance and Audit Committee of any irregularities in the reconciliation process
- monitoring and projecting the First Nation's cash position
- managing the First Nation's short-term liquidity and working capital including credit line facilities

The employees assigned banking duties by the Director of Finance are responsible for:

- receiving cheques and cash
- preparing cheques and cash for deposit to the appropriate financial institution account
- reconciling petty cash accounts on a regular basis
- recording revenue deposited in the accounting system
- making sure all anticipated recurring deposits have been received

The employee designated by the Director of Finance to prepare financial institution account reconciliations is responsible for:

- preparing a reconciliation for each of the financial institution bank accounts
- ensuring that supporting documentation and records are retained for each reconciliation
- alerting the Director of Finance of any irregularities

ADMINISTRATIVE PROCEDURES

Procedures

4.1 Financial Institution Account Management

The Director of Finance maintains correspondence and official documents relating to the opening, maintenance, and closing of all financial institution accounts.

The Director of Finance will develop a clear description of the purpose of each financial institution account and provide it to all employees who are responsible for depositing funds or reconciling the accounts.

The list of individuals with authorized signing authorities for each financial institution account will be maintained by the Director of Finance. All changes to signing authorities must be approved by Council.

Online financial institution access will be permitted and controlled as follows:

- the employee performing account reconciliations will be granted read-only access to the account they have been assigned to reconcile
- only employees with signing authority will be provided with online banking access to perform transactions

- transaction completion activities, such as electronic funds transfers, will be controlled in a similar manner as cheques and two employees will be required to approve each transaction; each employee will have a separate login and individual password

4.2 Cash Receipts

The person recording cash receipts in the general ledger will not be the same individual making the deposit at the financial institution or the individual performing the bank reconciliation.

Cheques received by direct mail will be recorded in a receipt log and endorsed (stamped) immediately as “for deposit only to [account #] ” by a designated person. This blocks negotiation of the cheque(s) if stolen. The log will include the date, source amount and reason for payment.

Cheques must face in the same direction for expediting the bank processing.

An adding machine tape must be run to determine the total amount of cheques being deposited. A second adding machine tape must be run to verify the total previously calculated. Continue calculating until the two adding machine tapes match.

Cheques must be bundled with a rubber band and include one of the matching adding machine tapes.

A deposit slip must be prepared by one employee and reviewed by a second employee.

The employee making the deposit at the financial institution provides the deposit book to another employee responsible for accounts receivable.

The cheque receipts log will be delivered to the employee responsible for accounts receivable. This person will reconcile the deposit slip and the cheque receipts log.

Cash received will be recorded in a duplicate receipt book. One copy will be provided to the payee submitting the cash and the other will be forwarded to the employee responsible for accounts receivable.

Each deposit will be placed in a separate deposit bag (inspect the bag for holes or tears before using).

Deposit all cash receipts to the First Nation’s bank accounts within:

- 2 banking days after being received for accumulations of \$1,000 or more in cash/cheques
- 3 banking days after being received for accumulations of less than \$1,000 in cash/cheques

At the end of each day, any cash received will be stored in the First Nation’s safe or locked cabinet until it can be deposited in a financial institution account. Access to the secure storage should be limited to the employee responsible for making deposits.

A list of anticipated ongoing deposits will be maintained and reviewed on a monthly basis. Any expected deposits that have not been deposited in the financial institution account(s) will be reported by the employee to the Director of Finance immediately.

In recording deposits to the bank account, various entities use clearing accounts to record amounts due from the following sources:

- A/R Cash
- A/R Debit
- A/R Visa
- A/R MasterCard
- A/R other credit card(s)

These clearing accounts will be treated as if they were bank accounts and reconciled on a monthly basis. As an overall guidance, amounts outstanding in these accounts should under no circumstances be older than 5 working days.

The following steps cannot be followed or initiated until the bank reconciliations are complete for all bank accounts for the month under review:

- make sure all deposits were prepared in accordance with above procedures
- prepare monthly bank reconciliation
- determine balance left in all clearing accounts
- print detail for each clearing account
- obtain list of uncleared amounts from the prior month
- mark off or strike out each deposit expected as compared to the amount which cleared the bank by starting with the items uncleared from the prior month - note any differences
- make a new listing of amounts which are uncleared at the end of the month which should include detail of the date the funds were received, the source of the funds and the amount due. The listing should be added and totaled and agreed to the control account
- go to the online access for the First Nation's banking and print out transactions posted for the First Nation's bank accounts for the first 10 days of the next month
- make sure that outstanding clearing amounts were received in that 10 day period - that is to say, outstanding amounts that have cleared must be documented as part of preparing the listing

4.3 Petty Cash

A limited number of petty cash accounts as determined by the Director of Finance and based on business needs will be created to pay for small items when payment by cheque is not practical or possible; however, every effort will be made to pay by cheque or electronic transfer. Petty cash will be managed as follows:

- the creation of a petty cash account must be approved by the Director of Finance
- the total amount of the fund will not exceed \$[X]
- the person responsible for petty cash will maintain an activity log, supporting documentation, and reconciliation
- petty cash reconciliations will occur monthly
- petty cash funds and receipts must be kept in a locked drawer or safe with controlled access
- accounts payable will replenish the petty cash only upon receipt of a completed petty cash reconciliation

4.4 Cheque Stock

All blank cheque stock will be stored in a locked cabinet or safe with controlled or limited access.

Cheque stock should be sequentially pre-numbered.

No accounts payable employees, or employees authorized to print out cheques, are authorized to sign cheques or approve money transfers.

No one person or employee will be allowed to enter invoices, select invoices for payment and then print and sign cheques. At minimum, this process requires at least two individuals to make sure there is segregation of duties.

Cheque signers will not sign blank cheques under any circumstances.

Signature plates and signature stamps will be stored in a locked cabinet or safe with controlled or limited access.

4.5 Credit Lines

The Director of Finance will authorize the draw down on any line of credit or overdraft facilities.

4.6 Opening a Financial Institution Account

Once the opening of a financial institution account has been approved, the Director of Finance outlines the following:

- name of account
- instructions regarding purpose of account
- names of signatories and authority limits
- address where all statements and correspondence is to be sent
- financial institution contact person

The financial institution accounts will be created such that all non-deposit transactions (such as cheques, electronic transfers, etc.) require two signatures for approval according to the relevant policy.

Once the financial institution account is opened, the Director of Finance instructs the appropriate employee to set up the account in the general ledger.

4.7 Closing a Financial Institution Account

The request to close a financial institution account must include:

- name of account
- financial institution account number
- closing bank balance and statement
- approval by Council

Upon approval, a financial institution account closing letter will be prepared and delivered to the financial institution with instructions to transfer any remaining account balance. The letter will be signed by at least two authorized signatories of the First Nation.

Once the financial institution account has been closed, the Director of Finance will instruct the appropriate employee to disable the account in the general ledger.

4.8 Account Reconciliation

Each of the First Nation's financial institution accounts will be reconciled to the accounting system records on a monthly basis and independently reviewed within 30 business days of month end.

An independent review must be undertaken by an employee or external person who does not report to the employee who prepared the financial institution account reconciliation.

Reconciliation and documentation records to support the amounts recorded on the reconciliation will be retained according to the relevant policy.

The employee preparing the financial institution account reconciliation will monitor and investigate unreconciled and outstanding amounts carrying forward beyond 30 business days of month end and will complete the following:

- monitor outstanding cheques and inquire to determine whether the cheques are valid, void or stale-dated
- monitor outstanding deposits and inquire if not cleared by the financial institution

The employee preparing the reconciliation will sign and date it as evidence that the reconciliation is complete and submit the reconciliation to Director of Finance.

The Director of Finance will submit all financial institution account reconciliations for independent review.

4.9 Independent Review

Each financial institution account's monthly reconciliation must be independently reviewed for completeness, timeliness and accuracy to ensure the following:

- reconciliation balances
- all amounts recorded on the reconciliation are appropriately supported by documentation such as financial institution statements and financial system reports
- adjustments are reasonable, routine in nature (e.g. financial institution fees), supported by documentation, and are not carried over for multiple months on the reconciliation
- unusual adjustments are well explained, supported, and, if material in nature, are brought to the attention of the Finance and Audit Committee

The independent review must be undertaken by someone other than the preparer who does not report to the preparer.

4.10 Irregularities

Irregularities, such as significant reconciliations that do not balance or unusual adjustments, will be reported by the Director of Finance to the Finance and Audit Committee as soon as practical.

References and Related Authorities

FMB's Financial Management System Standards

- Standard 19.0 – Financial Management and Controls

FMB's Financial Administration Law Standards

- Standard 18.0 – Financial Management and Controls

Attachments

1. Financial Institution Account Reconciliation Template

FINANCIAL INSTITUTION ACCOUNT RECONCILIATION TEMPLATE

[] First Nation

Financial Institution Account Reconciliation

Month: [XXXX, 20XX]

Financial Institution name: [_____ Bank]

Financial Institution account name: [XXXX, XXXXX]

Financial Institution account #: [000-0000-000]

GL #: [_____ Bank]

Ending bank balance \$ [XXX.XX]

ADD: Deposits in transit \$[XXX.XX] [XXX.XX]

LESS: Outstanding cheques

| | Cheque # | Amount |
|------------------------------------|------------------|----------------------|
| | [#] | [XXX.XX] |
| | [#] | [XXX.XX] |
| | [#] | [XXX.XX] |
| | | <u>[XXX.XX]</u> |
| Total outstanding cheques | | [XXX.XX] [XXX.XX] |
| Adjusted bank balance | | <u>\$[XXX.XX]</u> |
| Ending general ledger (GL) balance | | \$[XXX.XX] |
| ADD/LESS: Unrecorded transactions | | |
| | Monthly bank fee | <u>[X.XX]</u> |
| Adjusted GL balance | | <u>\$[XXX.XX]</u> |
| Difference: | | <u>[XXX.XX]</u> |

ADD/LESS: Unrecorded transactions Recorded?
[✓]

Prepared by: _____ Title: _____ Date: _____

Approved by: _____ Title: _____ Date: _____

5. PURCHASING

POLICY

Policy Statement

It is Council's policy to establish a process around the purchase of goods and services that demonstrates due diligence, transparency, fairness, quality, and value for money.

Purpose

The purpose of this policy is to provide guidance to the First Nation on how purchases will be planned, managed, approved and paid. Having clear rules around purchasing makes sure that the goods and services meet the First Nation's quality and cost expectations.

Scope

This policy applies to the Council, Officers and any other First Nation employees involved in purchasing goods, services and assets on behalf of the First Nation.

Responsibilities

The Council is responsible for:

- ensuring effective control of purchasing of goods, services and assets through documented policies and procedures

The Chief Administrative Officer is responsible for:

- [communicating the policies and procedures to all parties who are affected](#)

The Director of Finance is responsible for:

- developing, documenting and maintaining policies and procedures relating to the procurement process for goods, services, and assets
- [assisting in the selection, evaluation, and monitoring of contractors and suppliers](#)
- [managing and monitoring expenditures and identifying and reporting on budget variances](#)

ADMINISTRATIVE PROCEDURES

Procedures

5.1 Purchasing of Goods and Services

All employees will comply with the Delegation and Authorization Table in the relevant policy as it relates to potential expenditure limits.

Where practical, informal quotes will be obtained through advertisements, direct solicitations to suppliers and other methods to compare prices and select the best option for the First Nation.

When appropriate, the First Nation will promote the use of local content in the procurement of goods and services in accordance with the attachment.

When Council approval is required per the Delegation and Authorization Table, a competitive purchasing process must occur.

5.2 Competitive Purchasing Process

Under a competitive purchasing process, Council will decide, in consultation with external legal counsel as needed, whether specific suppliers as part of a Request for Proposal (RFP) process will be invited to submit proposals or an open invitation as part of a formal open tender process will be issued.

The Officer responsible for managing an RFP will include the following:

- background and context
- scope of work
- period of contract
- qualifications (e.g. experience, skills, education, and certifications)
- criteria and weighting (if applicable) by which proposals will be assessed
- proposal due date
- planned contract award date
- First Nation contact person and information
- disclaimer(s) limiting liability of the First Nation in the RFP process; (e.g. This Request for Proposal does not represent a call for tender. Except as expressly and specifically permitted in this RFP, no contractor shall have any claim for compensation of any kind whatsoever as a result of participating in this RFP, and by submitting a proposal, each contractor shall be deemed that it has agreed it has no claim”)

The relevant Officer(s), representatives from Council, and any relevant employees will form a review panel and review the proposals received against the pre-determined selection criteria for the RFP as outlined in the attachment. The review panel will provide Council with a recommended course of action.

5.3 Exceptions to the Competitive Purchasing Process

Under rare and limited circumstances and only upon approval from Council, a sole source contract may be awarded to a supplier in the following situations:

- if there were no bids received during the RFP process
- when the good or service is available only through a sole source
- in an emergency where a delay in purchasing the good or service would result in severe loss or damage to the First Nation

Any exceptions to the purchasing process outlined above will be documented to demonstrate the rationale and approval.

5.4 Approval, Initiation and Monitoring

On a monthly basis, the Director of Finance will review the contract progress, noting and communicating budget variances to the Chief Administrative Officer exceeding the materiality threshold as approved by Council and outlined in the Delegation and Authorization Table.

5.5 Documentation Requirements

All purchasing documents (including but not limited to requisitions, invoices, purchase orders, RFPs) will clearly indicate the details of the goods and services requested.

Approvals and budget appropriations and accounts from which certain goods or services may or must be purchased will be documented on relevant internal purchasing documentation.

A file will be created for each competitive purchasing process that contains the results of each supplier evaluation.

5.6 Monitoring of Suppliers

On an ongoing basis, the Chief Administrative Officer will monitor the quality of the work and the working relationship with the supplier. Issues noted will be documented in the supplier file and resolved by the Chief Administrative Officer.

Performance evaluation should be tailored to job size and complexity. A review of both the project quality and the service quality should be conducted using a standard set of criteria and applying weight factors established at the time of award.

5.7 Encouraging new suppliers

Contracts will be reviewed on an annual basis (or other timeframe as deemed appropriate by the Chief Administrative Officer for the nature and complexity of the goods or services in question) and a request for other suppliers initiated.

References and Related Authorities

FMB's Financial Management System Standards

- Standard 19 – Financial Management and Controls
- Standard 25 – Tangible Capital Assets

FMB's Financial Administration Law Standards

- Standard 8.0 – First Nation Council
- Standard 18.0 – Financial Management and Controls
- Standard 27.0 – Contracts and Tendering

Attachments

1. Local Content
2. Contractor/Supplier Evaluation Template

LOCAL CONTENT REQUIREMENTS

The First Nation should promote the use of local content when appropriate in the procurement of goods and services. For construction contracts on reserve lands, the First Nation may include a clause that requires the contractor to employ local labour and resources. Another option is to add a training component to the contract that requires the contractor to train local labourers. Where applicable, the RFP package should also require bidders to stipulate the extent to which they will use local materials, local equipment, and provide a formal training program for local labour employed by the contractor.

Pre-RFP Considerations for Local Content

Before developing the tender documents, the First Nation should establish:

- extent of labour and trades available locally
- quantities and firm prices of locally available materials
- local equipment available and firm rental rates
- training requirements and trade apprenticeships

Once the contract has been awarded, special clauses reflecting the agreed upon local content requirements will be incorporated in the contract with the successful vendor.

CONTRACTOR/SUPPLIER EVALUATION TEMPLATE

| SUPPLIER EVALUATION | | | | |
|--------------------------------------|---|--|---------------|---------|
| Organization name: | | | | |
| Service/goods to be provided: | | | | |
| RFP reference #: | | | | |
| Value of contract: | | | | |
| | Criteria | Details / Comments | Value | Score |
| 1. | RFP or other requirements [list here] [xxxx] [xxxx] [xxxx] | <i>Describe any areas of concern or where requirements were not met....</i> | [#] | [#] |
| 2. | Qualifications and experience | <i>Do they have the appropriate qualifications and experience to perform the work?</i> | [#] | [#] |
| 3. | Terms and conditions | <i>Are their terms and conditions acceptable to the First Nation?</i> | [#] | [#] |
| 4. | Has the organization worked previously with the First Nation? Provide details and an evaluation of the work. | <i>Evaluate the First Nation's previous experience with this supplier</i> | | |
| 5. | [xxxx] | | | |
| 6. | [xxxx] | | | |
| 7. | [xxxx] | | | |
| 8. | [xxxx] | | | |
| 9. | [xxxx] | | | |
| 10. | [xxxx] | | | |
| 11. | Price | <i>Evaluation of the price, results of previous criteria.</i> | | |
| 12. | Other considerations? | <i>Anything not covered above that should be included in evaluation the supplier i.e. inclusion of local content</i> | | |
| Evaluation | | | Score: | [XX/XX] |
| Overall comments / recommendation: | | | | % |

Attachments:

1. Contractor/Supplier response to RFP
2. Results of any previous contractor/supplier evaluations
3. Other supporting information as required

6. EXPENDITURES

POLICY

Policy Statement

It is Council's policy to establish a process around expenditures paid to suppliers or reimbursed to Councillors and First Nation employees for valid First Nation activities.

Purpose

The purpose of the policy is to make sure that all expenditures from First Nation's funds are in support of valid First Nation services and activities and that processing of payments are subject to proper approvals and budget controls. Having rules in place for how spending can get approved and for what is an important part of a First Nation's ability to operate smoothly.

Scope

This policy applies to the Council, committees of Council, Officers, employees of the First Nation and any other persons conducting activities in connection with the financial administration of the First Nation.

Responsibilities

Officer(s) identified in the Delegation and Authorization Table are responsible for:

- before approving an expenditure, ensuring that it is permitted under the current First Nation annual budget and as required in the Financial Administration Law
- reviewing reimbursable expenditure claims to make sure that the requirements of relevant policy have been met before approving for payment
- updating and communicating the reimbursable expenditure claim form to current rates
- approving expenditures per the relevant policies

The employee(s) assigned responsibility for paying accounts are responsible for:

- making sure that all expenditures have the required approvals per relevant policy before processing for payment
- making sure that all required documentation accompanies each payment and is retained in the financial records of the First Nation in accordance with the relevant policy

Employees, committees and Council members are responsible for:

- ensuring that all reimbursable expenditures claimed are in accordance with this policy and the Delegation and Authorization Table
- preparing a reimbursable expenditure claim that includes all required documentation

The Chief Administrative Officer is responsible for:

- approving expenditures for emergency purpose not anticipated in the budget if the expenditure is not expressly prohibited by or under the Financial Administration Law or another First Nation law

ADMINISTRATIVE PROCEDURES

Procedures

6.1 General and Operational Expenditures

All expenditures will be made in accordance with the relevant purchasing policies and procedures, and the Delegation and Authorization Table.

In emergency situations, the Chief Administrative Officer may approve the purchase of goods or services that were not anticipated in the budget and are not procured in accordance with the relevant policies and procedures. The rationale for these purchases must be documented by the Chief Administrative Officer and reported immediately to the Finance and Audit Committee and to Council.

Receiving documents will be reviewed and initialed by the individual receiving the goods that all goods on the document have in fact been received in satisfactory condition and that any goods not received are clearly identified as such. The receiving documentation should be forwarded with the requisition for payment to the employee responsible for accounts payable.

If goods are received without receiving documents, the employee receiving those goods is to create a receiving slip noting which goods were received, date of receipt, delivery agent, First Nation contact person (normally the person who initiated the expenditure), and the supplier. The receiving document will be initialed by the delivery agent and the employee receiving the goods, and then forwarded with the requisition for payment to the employee responsible for accounts payable.

All requests for payments for performance of work or services or supply of goods must be initiated through a requisition for payment that includes a statement certifying that:

- the work or services have been performed or the goods supplied, any conditions in an agreement respecting the work, services or goods have been met and the price charged or amount to be paid is in accordance with an agreement or, if not specified by an agreement, is reasonable
- if payment is to be made before completion of the work or services, delivery of the goods or satisfaction of any conditions in an agreement, the payment is in accordance with the agreement

All requisitions for payment must identify the appropriate financial institution or trust account out of which payment is to be made and must include a statement certifying that the expenditure is not prohibited and that it is in accordance with the appropriation identified in the certified statement and the Financial Administration Law.

6.2 Payroll

Employee payroll will be paid on a [bi-weekly] basis.

Hourly employees will record their time daily and submit timesheets on a weekly basis to their immediate supervisor for review. Both the employee and supervisor will sign and date the time sheet to demonstrate its accuracy and approval for payment.

Supervisors of salaried employees will submit any adjustments for vacation, sick or other types of leave to the individual responsible for payroll.

Based on the weekly timesheets for hourly employees and any adjustments required from the salaried employees, a payroll authorization sheet will be created listing all payment amounts and deductions for the previous two-week period.

Payroll reconciliations will be completed within 30 business days of month end. The reconciliation will compare the payroll authorization report, input instructions to the payroll service provider, financial institution account statements and the general ledger payroll accounts.

Payroll reconciliations and packages will be signed and dated within 30 business days of month end by an independent reviewer.

Any irregularities will be reported to the Chief Administrative Officer.

6.3 Reimbursable Expenses

Employees will clearly demonstrate and document that all amounts they are claiming for reimbursement were directly related to authorized activities performed on behalf of the First Nation.

Expenses reimbursed by hosts or other third-party funding arrangements must not be claimed. Declaration of such third-party reimbursements must be made in accordance with the First Nation's relevant policy.

Travel authorization: Prior to travel, employees will submit a request to their immediate supervisor stating the purpose, dates, and estimated costs for the proposed travel. The immediate supervisor will review it to make sure the proposed travel is in support of official First Nation business and that there is sufficient budget available.

An employee is deemed to be on official "travel status" for an approved trip for the period when an employee departs their residence or office until they return to their residence or office.

Travel expenditures eligible for reimbursement include:

Transport

Commercial transport will be the preferred method of travel for distances greater than [●] kilometers. For each type of travel, the lowest price alternative will be purchased.

The standard class for rail or air travel will be economy or the equivalent.

The standard car rental vehicle class will be mid-size. Gas purchases and full vehicle insurance will be reimbursed for rental cars.

Business class travel will be permitted only in exceptional circumstances and must be authorized by the Chief Administrative Officer before booking. If travel is for the Chief Administrative Officer, the Chair of the Finance and Audit Committee must authorize business class travel. In each case, the pre-authorization will be attached to the reimbursable expense claim for payment.

Private Vehicles

Private vehicle mileage will be reimbursed at a rate of \$[●] per kilometer from the administration office location. All other non-business-related vehicle costs are the responsibility of the individual.

Individuals using a private vehicle for work related travel must have the minimum insurance coverage legally required for work related use by their province or territory of residence. The First Nation will not be held responsible for any claims, accidents or damage to a private vehicle.

The lowest cost hotel option will be selected. The standard for accommodation is a single room, in a safe environment, conveniently located and comfortably equipped.

Per Diems and Incidentals

A maximum per diem amount will be reimbursed for each day on approved travel status on behalf of the First Nation to cover meal expenses and incidentals. Per diems may be claimed according to [insert relevant rate reference example: Treasury Board of Canada rates, Union of Ontario Indians rate]

Meals will only be reimbursed for those incurred during approved travel status.

If a meal is provided as official hospitality from another individual/organization in the course of their duties on approved travel status, a meal allowance will not be claimed by the individual on travel status.

Incidentals can only be claimed for each night away on travel status. Part days on travel status will not be eligible for incidentals.

The purpose of the daily 'incidentals' amount is to cover general expenses during official travel. This amount covers items such as: dry cleaning, tips and other personal expenses incurred while on travel status.

Receipts are not required for meals when per diems are claimed or for items that fall under the incidental category.

6.4 Other Travel Expenses

Other travel and business-related expenses that are directly attributable to travelling or business on the First Nation's behalf will be reimbursed, including internet access, business long-distance phone calls, parking, airport taxes, tolls, taxi fares, and public transit fares.

6.5 Memberships

Memberships in professional organizations that are required for an individual's position or are meeting a demonstrated need of the First Nation will be reimbursed provided that the appropriate immediate supervisor has approved each membership.

For other expenses not listed in this policy, pre-approval is necessary from the Chief Administrative Officer before initiating the expense and submitting a reimbursement claim.

6.6 Reporting and Documentation

For general and operational expenditures, the following should be submitted to accounting for payment

- original contract/agreement (if applicable)
- original invoice
- purchase order (if applicable)
- receiving documents/packing slips
- requisition for payment that has signed approval according to the relevant policy and the Financial Administration Law

Reimbursable expense claims must be complete, sufficiently supported, and recorded on the prescribed expense claim form. Before submitting expenses to Accounting for approval and payment, the employee will make sure that they have prepared a complete claim that includes:

- the employee's signature and date signed, acknowledging that all amounts claimed are accurate and in support of First Nation official business
- original receipts for all amounts claimed; depending on the nature of the claim, these can include
 - invoices
 - itineraries for air/train travel
 - itemized restaurant bills (where per diems do not apply)
 - support for any exchange rates used in the expense claim. Sufficient support includes receipts from exchange bureaus for money exchanged or credit card bills showing the exchange rate received. When neither is available, the Bank of Canada official rate will be used
 - signed travel authorization from the employee's manager (for the Chief Administrative Officer a member of Council will approve, for Council members the Chair of the Finance and Audit Committee will approve)
 - if applicable, a signed pre-authorization supporting business class travel
 - proof of payment for items claimed, which includes credit card or debit receipts

Credit card receipts alone are not sufficient, the original itemized receipt or invoice from the supplier must be included in every reimbursement or expense claim.

For all expenditures, claims with the appropriate support as described previously must be submitted to Accounting within 30 days of the expense being incurred.

6.7 Approval for Payment

No money will be paid out of any financial institution account without a requisition for payment.

In addition to the steps below, the authorized Officer must authorize payment out of a local revenue account.

Invoices received must be immediately forwarded to the finance department with a requisition for payment who will then process them to:

- match with the purchase order and the receiving document
- make sure that all required documentation has been submitted to support payment
- verify mathematical accuracy
- make sure that any taxes are correctly calculated and processed if applicable for tax exemption claims
- confirm that funds are available to pay the invoice
- identify and note the authorized general ledger account coding

The individual that approves the expenditure cannot be the same individual who approves the requisition for payment.

Reimbursable expense claims will be reviewed by the finance department to make sure that the:

- expense claim is mathematically correct and that taxes are identified and accounted for correctly
- authorized general ledger account coding instructions are identified
- expenses claimed are for authorized activities
- expenses claimed are eligible and comply with this policy and procedure
- documentation attached is adequate and sufficient

Any exceptions to the above will require authorization from the Director of Finance for payment.

Invoices or reimbursable expense claims that are still being processed or approved at the end of an accounting period will be recorded as an accrued liability.

Claims that do not meet the requirements outlined in this policy will be denied reimbursement.

6.8 Payments

Accounts payable will be paid within thirty (30) days of the receipt of an invoice or reimbursable expense claim, except for those invoices or expense claims which require management approval.

The finance department will prepare cheques every [insert timeframe – i.e. second Thursday].

The payments package will be provided to two authorized signatories, and will be accompanied by:

- a listing of all payments prepared noting the payee, amount, and payment date
- supporting documentation for each payment (e.g. cheque, transfer) including
 - approved invoices, expense claims, purchase orders, and receiving documents

- evidence that the finance department has completed the processing of the payment, including account coding

All documentation supporting payment will be retained in accordance with the relevant policy.

Accounts Payable employees will notify the Director of Finance immediately of any instances of:

- non-compliance with policy requirements that cannot be resolved
- suspected fraud

References and Related Authorities

FMB's Financial Management System Standards

- Standard 8.1 – Delegated/Assigned Responsibilities
- Standard 19.0 – Financial Management and Controls

FMB's Financial Administration Law Standards

- Standard 8.0 – First Nation Council
- Standard 18 – Financial Management and Controls

Attachments

1. Reimbursable Expenses Claim Template

REIMBURSABLE EXPENSES CLAIM TEMPLATE

Employee name: _____ Title: _____

Reason for claim:
*Description of the claim and why it was necessary for the First Nation's business.
 Declare any third-party funding / reimbursements received for this activity.*

| Receipt No. | Date | Description | Type of expense | Amount | Exchange rate | CAD amount |
|---|-------|-------------------------------------|------------------------|----------|---------------|-------------------|
| 1, 2 | Sep 1 | Return flight to Toronto Aug 7-9 | Airfare | \$500.00 | - | \$500.00 |
| | | | Taxi | | | |
| | | | Hotel | | | |
| | | | Per diem / incidentals | | | |
| | | | Membership | | | |
| | | | Etc. | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total Claimed: | | | | | | [\$XXX.XX] |
| Less: travel advance (if applicable) | | | | | | [\$XXX.XX] |
| Total to be reimbursed: | | | | | | [\$XXX.XX] |

I certify that the above statements are true and that false claims are grounds for dismissal.

Employee signature: _____ Date: _____

Approval signature: _____ Date: _____

7. BORROWING

POLICY

Policy Statement

It is Council's policy to establish a process around borrowing, repayments, use of borrowed money and recording and reporting of borrowing to members.

Purpose

The purpose of this policy is to establish an effective borrowing framework for the First Nation. Borrowing money can support a First Nation in carrying out its plans and in achieving its goals.

Scope

This policy applies to Council, Officers, Finance and Audit Committee and those persons with the authority to recommend or approve borrowing.

Responsibilities

Council is responsible for

- reviewing and approving any proposed borrowing, including the terms and conditions, recommended by the Finance and Audit Committee

The Finance and Audit Committee is responsible for

- reviewing borrowing proposals presented by the Chief Administrative Officer and Director of Finance and recommending a course of action to Council
- monitoring borrowings and repayments

The Chief Administrative Officer is responsible for

- reviewing borrowing proposals prepared by the Director of Finance and recommending a course of action to the Finance and Audit Committee

The Director of Finance (in conjunction with the Tax Administrator for local revenue account related debts) is responsible for

- preparing borrowing proposals for each proposed borrowing and presenting it to the Chief Administrative Officer for review
- ongoing monitoring and management of all borrowing, including timely payments, maintaining sufficient documentation, and performing regular reconciliations of debt transactions
- reporting and disclosing borrowings in the financial statements in accordance with Canadian GAAP, the Financial Administration Law and any agreements under which the borrowings were incurred

ADMINISTRATIVE PROCEDURES

Procedures

7.1 Determination of Need and Evaluation of Options

The relevant Officer will document the requirement for the First Nation to incur borrowing by examining the strategic plans, multi-year financial plan, annual budget, current financial situation, and any planned activities requiring borrowing. Once the need and amount of borrowing required is determined, the relevant Officer will outline the various borrowing options available.

The Director of Finance will prepare a borrowing proposal which includes the following:

- need for financing and alternatives considered
- evaluation of available borrowing options
- recommended borrowing option
- the purpose use and application of borrowing
- description of repayment plans based on cash flow analysis
- reference to the integrated planning process including strategic plan, multi-year financial plan, annual budget, and cash flow statements
- the timely payment of debt obligations
- identification of any provisions in the Financial Administration Law or in any other applicable law that limits borrowings or that imposes requirements or conditions which must be met before borrowing may be incurred
- requirement for consultation with members of the First Nation before any capital project related debt is incurred by the First Nation

The Director of Finance will consider at least the following prior to preparing a borrowing proposal:

- impact on future budgets and projected cash flow
- cost and interest rate
- level of risk involved (e.g. any borrowing covenants, ratios, etc.)
- ability to service the borrowing and repayment schedules
- an analysis of the terms and conditions and impact
- any financial reporting implications

The Chief Administrative Officer will review the borrowing proposal, including a recommended course of action to the Finance and Audit Committee.

The Chief Administrative Officer may engage legal counsel on the borrowing proposal.

7.2 Approval

The Chief Administrative Officer and Director of Finance will present the borrowing proposal to the Finance and Audit Committee for their review. The Finance and Audit Committee will review the report and make a recommendation to Council.

Council will review the borrowing proposal and recommendations. Subject to the Financial Administration Law, Council will vote on whether to approve the requirement for entering into a borrowing obligation. Council must also approve the borrowing and terms and conditions by Council Resolution.

7.3 Management and Monitoring of Borrowings

The Council will manage and monitor borrowing obligations by:

- making sure that any financial covenants contained in borrowing agreements are reported to the appropriate stakeholders in a timely manner

The Director of Finance will manage and monitor the borrowings by:

- ensuring that timely payments are made according to the terms and conditions and repayment schedule
- performing reconciliations between the First Nation's financial records and statements from the lender
- calculating any financial covenants contained in borrowing agreements and evaluating whether compliance with the terms of the covenants have been met

7.4 Reporting on Borrowings

The Chief Administrative Officer will report to the Finance and Audit Committee on the following:

- gross amount outstanding
- interest paid or payable for the period

The Director of Finance will make sure that the borrowing obligation is reported to the Finance and Audit Committee on a quarterly basis in the financial statements in accordance with Canadian GAAP and any requirements of the Financial Administration Law.

7.5 Records Management

The Director of Finance will make sure borrowing records are created, maintained and retained in accordance with the relevant policy. For each borrowing, the following will be documented:

- the loan agreement and any supporting agreements
- the borrowing proposal on which Council based its decision
- documented Council approval and required membership information or involvement
- an interest and principal repayment schedule (if applicable) that includes the dates of all payments required under the loan agreement or plan for borrowing retirement
- the cost of borrowing including interest payments and service or other charges
- the purpose of the borrowings

References and Related Authorities

FMB's Financial Management System Standards

- Standard 19.0 – Financial Management and Controls

FMB's Financial Administration Law Standards

- Standard 18.0 – Financial Management and Controls

8. LENDING, GUARANTEES AND INDEMNITIES

POLICY

Policy Statement

It is Council's policy to establish a process around lending, loan guarantees and indemnities that may include loans to members if Council has approved a lending program to members.

Purpose

The purpose of this policy is to provide the First Nation with an effective and transparent process for the approval, collection and documentation of lending, loan guarantees and indemnities given by the First Nation as permitted in the Financial Administration Law.

Scope

This policy applies to lending, loan guarantees and/or indemnities entered into between the First Nation and:

- a Councillor
- a Finance and Audit Committee member
- an employee of the First Nation
- a First Nation member or entity in which a First Nation member has an interest
- any other third party whether an individual or business entity including government business enterprises

Responsibilities

Council is responsible for:

- approving and signing all lending, guarantees and indemnities within amounts specified in the Delegation and Authorization Table
- ensuring that any lending program be approved by Council be universally accessible, have published terms and conditions, and be transparent
- approving the application form template, terms and conditions including interest rates (if applicable) to be applied to all members, any entity in which a member has an interest or any other party with respect to lending, guarantees and indemnities
- approving the lending program status report of the Director of Finance and the Finance and Audit Committee

The Finance and Audit Committee is responsible for:

- [reviewing the lending program report made by the Director of Finance and making any recommendations to Council](#)
- monitoring the status of First Nation's lending, loan guarantees and indemnities and reporting to the Council

The Chief Administrative Officer is responsible for:

- approving and signing all lending within amounts specified in the Delegation and Authorization Table
- making sure the lending, loan guarantee and indemnity process is transparent by providing First Nation members access to the requirements, standard terms and conditions
- monitoring the administration of any lending to members and any amendments
- making sure the publication and distribution of the terms and conditions of lending program to members

The Director of Finance is responsible for:

- reporting to the Finance and Audit Committee, any risks associated with entering a new program of loans to be made to members, or entities in which members have an interest, and the costs of administering such a program
- approving and signing all lending, guarantees and indemnities within amounts specified in the Delegation and Authorization Table
- preparing loan, loan guarantee and indemnity agreement templates using the standard clauses approved by Council
- making sure that lending allowances and write-offs (if any) are reported to the Finance and Audit Committee and accurately recorded and disclosed in the financial statements
- making sure adequate supporting documentation is retained for all loans, loan guarantees and indemnities
- on an annual basis, preparing a report for the Finance and Audit Committee setting out all payments made for loan guarantees and indemnities
- on an annual basis, preparing a report for the Finance and Audit Committee setting out all loans, loans forgiven, and payments received

ADMINISTRATIVE PROCEDURES

Procedures

8.1 Requirements

Subject to the Financial Administration Law, any authorized lending issued is subject to the following conditions:

- loans available to members must be set out in a program approved by the Council which has published terms and conditions and is universally available to all members
- the principal loan amount and loans receivable must obtain the required authorizations as set out in the Authorization and Delegation Table approved by Council. An agreement must be signed with the individual requesting the loan and will only be granted if the risk of non-payment is at an acceptable level for the First Nation
- instances where there is a high risk or likelihood that the individual will be unable to pay (i.e. previous instances of debt non-payment, poor credit history, unemployment or bankruptcy, etc.) will require Council approval

- interest, if charged, will be applied consistently to all loans at a risk adjusted rate of [] percent plus prime
- a binding legal written agreement will be made between the First Nation and individual requesting the loan. The agreement will contain standard clauses that are consistently applied to every individual that applies for and secures a loan from the First Nation. The following items, at a minimum, will be present in the agreement:
 - the name of the individual
 - amount of the loan
 - nature and amount of any security over the loan pledged in favour of the First Nation or provided as loan collateral
 - interest (if applicable)
 - repayment schedule
- approval will be enacted by signing the agreement with the individual requesting the loan.

Loan guarantees will only be granted in the following circumstances [to be determined by the First Nation]:

The amount of the loan guarantee must not exceed the amount specified in the Authorization and Delegation Table approved by Council. Loan guarantees will be approved by Council upon consideration of the report of the Director of Finance. Approval will be enacted by signing the agreement with the individual requesting the loan guarantee and will only be granted if the risk of non-payment or non-fulfillment of an obligation is at an acceptable level for the First Nation.

The report from the Director of Finance must identify any risks associated with giving the loan guarantee, evaluate the likelihood of having to honour and make payments under the guarantee, describe information collected and any judgments or estimates used to make this evaluation and assess the financial ability of the First Nation to honour the loan guarantee should it be required to do so.

A binding legal agreement will be made between the First Nation and individual requesting the loan guarantee. The agreement will contain standard clauses that are consistently applied to every individual that applies for and secures a loan guarantee from the First Nation. The following items, at a minimum, will be present in the agreement:

- name of the individual
- amount of the loan guarantee
- duration of the loan guarantee agreement
- amount, maturity and repayment terms of the underlying loan or obligation
- purpose and use of the underlying loan (e.g. details of the asset being acquired or leased, or investment being made)

Approval will be enacted by signing the agreement with the individual requesting the loan guarantee

The First Nation will obtain a copy of the legal [asset purchase / lease] [investment] agreement requiring the issuance of a loan guarantee and retain on file with the loan guarantee agreement

In exceptional circumstances only, indemnities will be granted in the following circumstances [to be determined by the First Nation]:

The First Nation must not give an indemnity unless it is:

- authorized to do so under section [106] of the Financial Administration Law (“FAL”)
- necessary and incidental to and included in another agreement to which the First Nation is a party
- in relation to a security granted by the First Nation that is authorized under the Financial Administration Law or another First Nation law]

The First Nation will obtain a copy of the [asset agreement] under loan guarantee and retain on file with the loan guarantee agreement

Employees may request a payroll advance from the First Nation. Only [one] payroll advance will be allowed per year, once the previous year’s advance has been settled. Payroll advances will be approved by the Chief Administrative Officer.

Employees may request an advance for valid out-of-pocket expenses that will be incurred within the current fiscal year and that will ultimately be reimbursed by the First Nation in accordance with the current expense policy and the Authorization and Delegation Table approved by Council.

Standard agreement clauses for loans, loan guarantees, and indemnities (including interest provisions) will be reviewed and reported on by the Finance and Audit Committee and approved by Council as necessary and at least annually. Any deviations from the standard agreement clauses require Council approval and consultation with legal counsel.

8.2 Leases

The First Nation must comply with the terms and conditions of any lease agreements it enters into.

The Council or the person with delegated authority as outlined in the Authorization and Delegation Table approved by Council should make sure that the First Nation enters into a lease agreement, provided that the amounts payable under the lease are within the budget for the related program or department.

8.3 Accessibility

Subject to the Financial Administration Law, all members must be able obtain a loan from the First Nation subject to any conditions outlined in this policy.

The Chief Administrative Officer will make sure that the requirements to obtain a loan, loan guarantee or indemnity, as well as the standard terms and conditions of these agreements are accessible to all First Nations members. This information will be available to all members who request a copy from the local office either in person, by phone or by email.

8.4 Collection

On a monthly basis, the Director of Finance will review the list of outstanding loans receivable and corresponding loan payments. The actions below will be taken to resolve overdue payments and delinquent accounts.

For loan payments that are between 30 and 60 days overdue, the individual holding the loan will be contacted in writing requesting that all overdue payments be made as soon as possible and no later than a specified date.

For loan payments that are more than 60 days overdue, late payment interest will be charged on the outstanding loan balance in accordance with the loan agreement between the individual and the First Nation. The individual will be contacted in writing and by phone and informed that interest will accumulate until all overdue payments have been received. Contact by writing and by phone will be made on a monthly basis thereafter if payment has not been received.

For loan payments that are more than 120 days overdue, the Director of Finance will determine whether the loan should be considered impaired and written off or sent to an external collection agency. The Director of Finance (or delegate) will inform the individual in writing and by phone that the payments in Arrears have been transferred to an external agency for collection.

Any additional financing arrangements or amendments to existing loan agreements to improve the likelihood of repayment between the First Nation and an individual with payments in Arrears will be determined by the Director of Finance and approved by the Chief Administrative Officer.

8.5 Debt Forgiveness

All reasonable steps should be taken to attempt to collect the outstanding balance. However, when it becomes obvious that the First Nation will be unable to collect the outstanding balance, a report should be compiled by the Director of Finance and approved by the Chief Administrative Officer detailing the following:

- individual and amount in arrears
- principal and interest outstanding on the loan
- length of time in arrears and measures taken to collect on payments in arrears
- rationale for debt forgiveness

Approvals for debt forgiveness must follow the Authorization and Delegation Table. Amounts requiring Council approval must be reviewed and recommended by the Finance and Audit Committee before being approved by Council.

8.6 Write-offs

When all reasonable steps to collect have been taken and debt has not been collected or forgiven, the Director of Finance will make sure that the loan and its outstanding principal and interest payments are reclassified in the financial statements as bad debt.

8.7 Monitoring and Reporting

All loans, loan guarantees, and indemnities will be reported in a special purpose report annually to the Finance and Audit Committee. The special purpose report will contain the following information for each loan, loan guarantee, and indemnity and will be included or referenced in the First Nation's annual report:

- purpose of the loan (e.g. housing), loan guarantee or indemnity
- amount of the original loan, loan guarantee or indemnity
- principal repayment component
- interest earned and collected
- actual payments made, if any, against loan guarantees
- actual payments made to compensate for damages, if any, against indemnities
- list of payments in arrears, subject to applicable privacy law
- any expected payments required as a result of the First Nation having to fulfill or honour a guarantee or indemnity agreement based on the Director of Finance's knowledge of the contracts in place and changes in their underlying financial condition

8.8 Record Keeping

All agreements and payment records associated with loans, loan guarantees and indemnities will be stored in the First Nation's financial records in accordance with the relevant policy.

Records of debt forgiveness will be retained if in future, through changed circumstances, some or all of the debt may be collected.

Records of the authority under which the debt was incurred including any Council Resolution and membership involvement.

References and Related Authorities

FMB's Financial Management System Standards

- Standard 19.0 – Financial Management and Controls

FMB's Financial Administration Law Standards

- Standard 18.0 – Financial Management and Controls

9. INVESTMENTS

POLICY

Policy Statement

It is Council's policy that First Nation's investments will be managed and administered to preserve capital and generate sufficient income and growth to meet the First Nation's operational or strategic objectives.

Purpose

The purpose of this policy is to provide a framework for management of the First Nation's investments to achieve short and long term operational and strategic objectives within an acceptable level of risk.

Scope

This policy applies to Council, the Finance and Audit Committee, and Officers of the First Nation.

Responsibilities

Council is responsible for:

- determining and approving the First Nation's short- and long-term investment strategy
- determining allowable use of funds and making sure restricted funds are only invested in investments specified by the Financial Administration Law
- approving preliminary risk assessment of funds
- appointing of an investment manager
- approving the opening of an investment account
- approving funds to be invested
- approving the redemption of invested funds not related to operational financial institution accounts
- making sure the approved investment strategy is periodically reviewed for effectiveness

The Finance and Audit Committee is responsible for:

- providing Council with recommendations for an investment strategy and appointment of investment manager
- monitoring performance
- the redemption of invested funds not related to operational financial institution accounts and the rebalancing of funds

The Chief Administrative Officer is responsible for:

- monitoring the performance of all parties to whom duties have been delegated

- reporting any significant changes to the investment portfolio to the Finance and Audit Committee for recommendation to Council
- liaising with the Finance and Audit Committee, investment manager, Director of Finance, and investment consultants, as required
- providing the Finance and Audit Committee with recommendations in relation to preliminary risk assessment of funds, appointing of the investment manager, funds to be invested, monitoring performance, rebalancing portfolios, and the redemption of invested funds

The Director of Finance is responsible for:

- analyzing proposals received from investment managers
- performing a preliminary risk assessment analysis against criteria to be met prior to investing decisions are made by Council
- overseeing rebalancing of the investment portfolios asset mix according to Council instructions
- overseeing or executing transfers between investment account(s) according to Council instructions
- receiving or preparing a quarterly investment monitoring report including investment performance and summary of portfolio management fees (if any)
- recommending transfers, rebalancing, monitoring actions, investment manager changes, and any other recommendations

ADMINISTRATIVE PROCEDURES

Procedures

9.1 Determine Investment Management Strategy

Council will establish and implement a documented investment management strategy for First Nation funds that meet the requirements of the FAL.

The investment management strategy will include both short and long-term strategies and will determine the allowable uses of available funds.

9.2 Selection of Investment Manager

Council will select the investment manager. The Director of Finance may review and analyze the proposals, or Council may engage an independent consultant to facilitate the selection process of investment manager:

- investment manager proposals will be analyzed using several criteria including: experience, qualifications, investment management style, costs, past performance, volatility of returns, management fees and any other criteria identified by Council

The investment management agreement will be consistent with this procedure and must facilitate execution of the short- and long-term investment strategies. The agreement must be executed before any funds are transferred into the investment account.

9.3 Termination of Investment Manager

Council will specify within the investment management agreement the terms and conditions for termination of the agreement, which could include:

- failure to achieve performance goals and investment returns
- changes in the First Nation or its investment strategy which would no longer require the services of an investment manager
- changes in investment manager personnel, firm or ownership structure, investment philosophy, style or approach which might adversely affect the potential return and risk level

9.4 Designation and Transfers of Investment Funds

The Director of Finance will notify the Finance and Audit Committee in writing when there are funds available for transfer to the investment account. The written notification must identify the source of the available funds (i.e. government transfer, local revenues, or unrestricted) and whether they are to be invested according to the investment strategy.

Council must approve the transfer of funds to and from the investment account.

The Director of Finance will communicate and oversee approved requests to redeem investments and transfer the proceeds to the First Nation.

9.5 Local Revenues Permitted Investments

If a First Nation is collecting local revenues, these may only be invested in:

- securities issued or guaranteed by Canada or a province
- securities of a local, municipal, or regional government in Canada
- investments guaranteed by a bank, trust company or credit union
- deposits in a bank or trust company in Canada or non-equity or membership shares in a credit union
- securities issued by the First Nations Finance Authority or a municipal finance authority established by a province

9.6 Monitoring of Investments

The Director of Finance will reconcile the investment accounts to the general ledger and investment statements.

The Director of Finance will verify the investment management fees charged to make sure they are consistent with the underlying contracts.

The Director of Finance will prepare a quarterly monitoring report and provide that report to the Chief Administrative Officer. The report will summarize:

- the performance of the investments under management to relevant benchmarks
- the weighting of the investment portfolio and comparison to the target portfolio asset allocation

- any relevant media or news articles about the investment manager
- any ownership or staffing changes within the investment manager organization

The Chief Administrative Officer will review the report, may provide further recommendations, and submit to the Finance and Audit Committee.

The Finance and Audit Committee will review the quarterly monitoring report, may provide further recommendations, provide the report to Council for approval.

The investment manager may attend a Council meeting and discuss investment performance, changes in personnel and investment strategy.

9.7 Re-balancing of the Investment Portfolio

An Officer will communicate any rebalancing instructions to the investment manager once approved by Council.

References and Related Authorities

FMB's Financial Administration System Standards

- Standard 20.0 – Risk Management

FMB's Financial Administration Law Standards

- Standard 19.0 – Risk Management

10. CAPITAL ASSETS

POLICY

Policy Statement

It is Council's policy to establish a process around capital assets that includes a life-cycle approach to effectively plan, manage, account for and dispose of assets according to the First Nation's capital asset strategy and to accurately reflect these in the First Nation's financial statements.

Purpose

The purpose of this policy is to provide guidance on the planning, management, and accounting treatment for capital assets over the entire capital asset life cycle so the First Nation can manage its resources efficiently and effectively to meet its goals and priorities.

Scope

This policy applies to the Council, Finance and Audit Committees, Officers and employees directly involved in capital asset management.

Responsibilities

Council is responsible for:

- approving policies for the safeguarding of capital assets in accordance with the Financial Administration Law
- approving the capital asset register
- approving capital project plans and capital asset reserve fund transactions
- making sure capital project budgeting requirements are implemented
- establishing a capital asset reserve fund
- establishing asset recognition criteria
- establishing the capital project trigger threshold amount
- informing or involving First Nation members about capital asset projects and borrowings for capital projects

The Finance and Audit Committee is responsible for:

- reviewing on or before [January 15] the financial information provided on the life-cycle management program by the Director of Finance
- reviewing and recommending to Council the annual budget for capital assets
- reviewing and recommending to Council procedures for the safeguarding of assets
- reviewing status reports on the capital asset reserve fund and making recommendations to Council relative to the funding contribution
- reviewing any scheduled capital project plans including supplemental information and their budgets and developing recommendations for Council

The Chief Administrative Officer is responsible for:

- developing the life-cycle management program in accordance with the requirements of this policy and the Financial Administration Law and making recommendations to the Finance and Audit Committee on matters concerning the management of the First Nation's capital assets
- maintaining the capital asset register as required in this policy and the Financial Administration Law, including arranging for an annual inspection to obtain updated information of each capital asset (e.g. physical condition, remaining useful life, etc.)
- making sure First Nation members are informed and involved in capital asset projects and borrowings for construction as required in the Financial Administration Law
- establishing the criteria including monetary threshold for defining a capital asset and capital project as per the Delegation and Authorization Table and recommending to Council for approval

The Director of Finance is responsible for:

- the accurate and timely recording and reporting of capital assets in the financial statements in accordance with Canadian GAAP
- updating and monitoring the application of this policy on a regular basis
- preparing on or before [December 31] annually the financial information related to maintenance and or replacement of capital assets as required in the Financial Administration Law and this policy
- preparing the quarterly reporting to the Finance and Audit Committee, or more frequently if necessary, on the status of the capital asset reserve fund
- developing and recommending procedures for the safeguarding of assets and making sure approved procedures are followed
- developing the budget for capital project plans and annual capital plans

Employees involved in the life-cycle management program are responsible for:

- maintaining capital asset information and implementing asset security and safeguarding measures as provided through the application of these policies and safeguarding procedures approved by Council
- recording and reporting changes in capital assets to the Chief Administrative Officer

ADMINISTRATIVE PROCEDURES

Procedures

10.1 Capital Asset Register

A capital asset register will be established and updated by the Chief Administrative Officer. The asset register will reflect the life-cycle management program including maintenance, rehabilitation, and replacement activities as well as provide an accurate inventory of capital assets.

The capital asset register may include:

- location or address
- acquisition date
- acquisition cost
- remaining useful life in years
- estimated repairs and maintenance costs
- cumulative repairs and maintenance costs to date
- insured value
- disposal value (current year disposal of asset only)
- inspection date
- general comments

The finance department will regularly reconcile the capital asset register to the general ledger.

10.2 Annual Inspection and Review

On or before [November 30], the Chief Administrative Officer will initiate an annual inspection of the First Nation's capital asset inventory. Employees in the property management department will be assigned by the Chief Administrative Officer to complete the inspection. Where appropriate or necessary the Chief Administrative Officer may choose to engage the services of an external specialist to assist in the valuation of assets.

Any changes to the capital asset register will be documented and communicated to the Chief Administrative Officer for review and approval. Once reviewed and approved by the Chief Administrative Officer, the changes will be recorded in the capital asset register.

The Chief Administrative Officer will report to the Finance and Audit committee on the outcome of the annual inspection and review of assets, noting any significant developments or findings.

If there is evidence of damage to or a loss of an asset identified during the inspection process or at any other time of the year, the Chief Administrative Officer will investigate the matter and initiate the insurance claim process if applicable. The capital asset register will be updated based on this new information.

When conditions indicate that a capital asset no longer contributes to the First Nation's ability to provide goods and services, or that the value of future economic benefits associated with the capital asset is less than its net book value, the cost of the capital asset should be reduced to reflect the decline in the asset's value.

The net write-downs of capital assets should be accounted for as expenditures in the statement of operations.

A write-down cannot be reversed.

10.3 Safeguarding Assets

Physical security arrangements over capital assets will be reviewed annually by the Director of Finance and the results of this review will be reported to and reviewed by the Finance and Audit Committee with any recommendations to Council.

Insurance coverage for capital assets will be obtained and remain in force unless an asset is to be self-insured based on a risk management assessment that balances any potential loss with the cost of insurance, replacement value of items, etc. Insurance will be obtained in accordance with the relevant policy.

10.4 Maintenance of Assets

The Chief Administrative Officer will prioritize capital assets in the register according to importance and impact on the safety and well-being of the First Nation. The highest ranked assets will be given priority for replacement or rehabilitation in future planning.

A list of any capital assets identified as no longer in use will be prepared and reported to the Chief Administrative Officer. Steps will be taken to decommission and appropriately dispose of the assets in accordance with any applicable laws or regulations.

All warranty and related work including inspections will be undertaken in a timely manner.

The Chief Administrative Officer will make sure that appropriate staff training on the use of the capital asset will be provided.

Officers will make sure the capital asset register and accounting records are updated and make recommendations to the Finance and Audit Committee for changes to the annual capital plan based on the results of the inspections performed for the year.

10.5 Life Cycle Management Program

Based on the information in the capital asset register and contributions from relevant employees, the Director of Finance will prepare the annual capital plan by [December 31] of each year.

The annual capital plan will include short- and long-term projections for asset maintenance, rehabilitation or replacement (including acquisition and/or construction). The plan will include the information that the Director of Finance is required to prepare in the Financial Administration Law and, at a minimum, the following details:

- asset description
- rationale
- estimated cost
- estimated timeframe and schedule of maintenance, rehabilitation or replacement (acquisition and/or construction) of each asset
- budget and multi-year financial plan impact

The Finance and Audit Committee will review the annual capital plan and capital assets register.

The Finance and Audit Committee will review by the annual capital plan by [January 15] and report to Council on its findings and recommendations by [February 15] for review and consideration of the annual budget for the upcoming fiscal year.

10.6 Capital Projects

The Chief Administrative Officer, with input from the Director of Finance, will develop a plan for each capital project. The plan will include a business case for the capital project, that will contain, at a minimum, the following:

- the financial viability of the project (i.e. how it will be financed, what the expected return on investment will be, etc.)
- project operating requirements (e.g. annual operating and maintenance costs, cash flow considerations, etc.)
- a project risk assessment
- evaluation of all other options considered

The Chief Administrative Officer will coordinate planning, design, engineering, RFP, supplier selection, and environmental requirements for each capital project. Capital project external advisors may be engaged to carry out these obligations.

The Director of Finance will coordinate project costing, budgeting, financing and approval for each capital project.

The annual capital plan and recommendations from the working committee will be provided to the Finance and Audit Committee.

The Finance and Audit committee will review the annual capital plan on or before [January 15] and forward their recommendation to Council for approval.

Council will inform or involve members about capital projects and borrowings (if any) for capital projects.

10.7 Construction Management

The Chief Administrative Officer will obtain appropriate course of construction insurance for each capital project in accordance with the relevant policy and will require guarantees and bonding from the supplier.

The Director of Finance will process supplier progress payments, manage construction holdbacks and payments.

The Director of Finance will report to the Finance and Audit Committee on each capital project respecting:

- year to date borrowings, loans and payments
- the status of the project including
 - a comparison of the expenditures to date against the project budget
 - a detailed description of any identified problems with the project
 - problem or issue resolution, if any

10.8 Acquisition of Capital Assets

The acquisitions of capital assets are subject to the relevant policy.

All purchases or leases of capital assets are to be made in accordance with the annual budget, annual capital plan, and approval limits in the Delegation and Authorization Table.

Any significant variance between budgeted and actual cost of the capital asset will be reported to the Chief Administrative Officer and the Finance and Audit Committee.

10.9 Capital Asset Reserve Fund

The Council will establish a capital asset reserve fund to be applied for the purposes of construction, acquisition, maintenance, rehabilitation and replacement of the First Nation's capital assets.

10.10 Disposal of Capital Assets

The fair market value must be determined for all disposals as a prior condition of approval. The Chief Administrative Officer will consult with external specialists in establishing the fair market value, if necessary.

Members of the First Nation shall have an equal opportunity to purchase surplus assets through a competitive disposal process.

All items to be sold are on an "as is, where is" basis with no warranties or guarantees expressed or implied.

References and Related Authorities

FMB's Financial Management System Standards

- Standard 25.0 – Tangible Capital Assets

FMB's Financial Administration Law Standards

- Standard 25.0 – Tangible Capital Assets Management

11. INSURANCE POLICY

POLICY

Policy Statement

It is Council's policy to establish a process around insurance coverage for its operations, staff and Councillors as part of its overall risk management strategy.

Purpose

The purpose of this policy is to provide guidance on the establishment and maintenance of an insurance program to make sure material risks are addressed for the First Nation and its Council, Officers, and employees.

Scope

This policy applies to Council, the Finance and Audit Committee, Officers and all other employees involved in insurance matters at the First Nation.

Responsibilities

Council is responsible for:

- purchasing and maintaining in force all insurance coverage that is appropriate and aligned with the risks under the care or control of the First Nation based on the recommendation of the Finance and Audit Committee
- if Council chooses, purchasing and maintaining insurance for the benefit of a Councillor or an Officer against any liability arising from that person being or having been a Councillor or an Officer

The Finance and Audit Committee is responsible for:

- providing its insurance coverage recommendation to Council for approval; the Finance and Audit Committee may retain external expertise to assist in its deliberations given the technical nature of insurance decisions

The Chief Administrative Officer is responsible for:

- leading and managing the risk identification and assessment process
- leading and managing the RFP process for selection of an insurance provider
- recommending a preferred insurer and coverage options to the Finance and Audit Committee and Council
- monitoring insurance coverage expiration and payment dates to make sure coverage does not lapse
- on an annual basis reviewing insurance coverage to make sure that it continues to meet the needs of the First Nation

ADMINISTRATIVE PROCEDURES

Procedures

11.1 Identify Significant Material Risks

The Chief Administrative Officer, with input from members of the management team, the Finance and Audit Committee and Council, will develop a list of potential significant material risks to the First Nation's financial assets and operations. This will include an examination of:

- potential sources of liability of the First Nation arising from its operations
- value and use of assets under control of the First Nation
- potential sources of liability for individuals such as Councillors, Officers and employees
- other risk areas that could result in a loss to the First Nation and could be insured

11.2 Identify and Purchase Insurance Products

Based on the risk analysis performed, the Chief Administrative Officer will identify the risks where insurance coverage is appropriate.

The Chief Administrative Officer will review options from different insurance providers and will make a recommendation to the Finance and Audit Committee. Recommendation may include:

- cost of the coverage
- scope of coverage

Where appropriate, legal advice will be sought as required to make sure that the terms and conditions of coverage sought are appropriate for the First Nation.

11.3 Approval for Insurance Coverage

Council will review, approve, and document the selected option.

Once approved by Council, purchase of the insurance coverage will follow the relevant policy.

11.4 Maintenance of Insurance Coverage

The Director of Finance will maintain a schedule of insurance policy expiration dates and payment dates and monitor on a regular basis to make sure that coverage does not lapse.

The Chief Administrative Officer will review insurance coverage on an annual basis to make sure that it continues to adequately address the risks and meet the needs of the First Nation.

References and Related Authorities

FMB's Financial Management System Standards

- Standard 20.0 – Risk Management

FMB's Financial Administration Law Standards

- Standard 19.0 – Risk Management

12. RISK MANAGEMENT

POLICY

Policy Statement

It is Council's policy to establish a process around identifying, managing and monitoring risks related to the financial management system and the achievement of the First Nation's goals.

Purpose

The purpose of this policy is to provide guidance on risk management as part of the integrated planning process and ongoing governance activities of the First Nation.

Scope

This policy applies to Council, Officers, the Finance and Audit Committee and all other employees involved in risk management at the First Nation.

Responsibilities

Council is responsible for:

- providing input to the annual risk assessment, including consideration of fraud risks
- reviewing, approving, and monitoring the annual First Nation risk management plan and fraud risk assessment
- subject to the Financial Administration Law, approving
 - the undertaking of for-profit activities, consolidated entities and ventures
 - the investment strategy and investment risk assessment
 - lending, guarantees or indemnities
 - insurance coverage
 - emergency and operations continuity plan
- the monitoring of an approved for-profit activity

The Finance and Audit Committee is responsible for:

- providing input to the annual risk assessment including consideration of fraud risks
- reviewing the risk management plan and fraud risk assessment on a regular basis

The Chief Administrative Officer is responsible for:

- establishing and maintaining a positive workplace environment which supports integrity, honesty, accountability and transparency
- managing the annual risk assessment process and preparing the risk management plan both which will include fraud risk
- identifying and assessing risks associated with specific material business activities, lending, guarantees, indemnities, investments, general operations, financial reporting and fraud risks

- identifying risks associated with proposed for-profit business activity, steps taken to limit the risks, approvals required to undertake for-profit activity and monitoring of any approved for-profit activity
- reviewing and updating the risk management plan and fraud risk assessment on a regular basis
- reporting any significant changes to the risk management plan and fraud risk assessment to the Finance and Audit Committee
- preparing documentation that assesses the qualification and competency of individuals engaged or hired in the control activity process of the financial management systems
- obtaining a written confirmation from the persons engaged in the First Nation's financial management system that they understand their responsibilities

The Director of Finance is responsible for:

- ensuring all for-profit business activities are separately reported periodically to the Finance and Audit Committee
- developing and recommending procedures for identifying and mitigating risks, including financial reporting and fraud risks for the annual risk management plan
- monitoring the control activities and its impact on the First Nation and the risk management plan

ADMINISTRATIVE PROCEDURES

Procedures

12.1 Annual Risk Management Planning

As part of the integrated planning process, a risk assessment will be developed by the Chief Administrative Officer. Risks identified will include any risks that could impact the achievement of its strategic goals or its operations in general.

Risks will be recorded in the risk management plan. The Chief Administrative Officer will analyze the potential impact and likelihood of each risk identified and develop an appropriate risk mitigation plan.

The risk management plan must separately address risks related to specific business activities, lending, guarantees, indemnities, investments, general operations and financial reporting so that these may be managed and monitored.

The risk management plan will be presented to the Finance and Audit Committee for review and recommendation to Council for approval, as part of the integrated planning process.

On a quarterly basis, the Chief Administrative Officer will review the risk management plan with the risk owners to update the risk and mitigation plans. Any significant changes will be reported to and reviewed by the Finance and Audit Committee and approved by Council.

12.2 Fraud Risk Assessment

On an annual basis as part of the integrated planning process, a fraud risk assessment will be performed by the Chief Administrative Officer.

On an annual basis, the Chief Administrative Officer will prepare a documentation that assesses the qualification of individuals engaged in fraud risk control activities in the First Nation's financial management system.

On a periodic basis, the individuals involved in the fraud risk controls must confirm in writing that they understand their responsibilities.

12.3 For-profit Business Activity Risk Management Considerations

Prior to beginning any for-profit business activity, the Chief Administrative Officer will lead the preparation of a business case supporting the activity. The business case should contain, at a minimum, a detailed description of the proposed activity, costs, projected revenues and benefits, funding arrangements, strategic impact, and a risk assessment (including whether the activity will result in a material liability of the First Nation or expose the First Nation's financial assets, property or resources to significant risk).

The risk assessment should address all risks related to the project and the resulting overall impacts on the First Nation.

For each risk, a detailed mitigation plan with assigned responsibility will be developed.

The complete business case and risk assessment will be presented to the Finance and Audit Committee for review and recommendation to Council for approval of the activity via a Council Resolution.

The Chief Administrative Officer will be responsible for ongoing monitoring of the for-profit business activity. Deviations from the approved business plan will be presented to the Finance and Audit Committee for review and recommendation to Council.

12.4 Lending, Guarantees and Indemnities

For any lending, guarantees or indemnities, the Director of Finance must annually document their evaluation of the risks to the First Nation of extending credit to the requesting member. The following are risks to be considered:

- ability of the individual or group to repay
- potential for negative impact on the First Nation's reputation
- extent of other similar agreements the First Nation has entered into
- ability of the First Nation to honour the guarantee or indemnity should it be required to do so
- in the case of a program for lending to members of the First Nation, the risks associated with the program and the costs of administering the program

Approval and management of lending, guarantees and indemnities is detailed in the relevant section of this policy.

12.5 Investment Risk Assessment

Monitoring, reporting and approval of the investments strategy and performance is detailed in the relevant section of this policy.

12.6 Financial Reporting Risks

The Director of Finance will identify and document any activities that could result in the risk of the following occurring:

- a material misstatement in information in the quarterly and annual financial statements
- failure to achieve planned levels of financial performance
- failure to perform the First Nation's obligations

12.7 Insurance and Emergency Operations Continuity Plans

Refer to the relevant section of this policy for guidance on the risk assessment and management of investments, insurance and emergency planning.

References and Related Authorities

FMB's Financial Management System Standards

- Standard 20.0 – Risk Management

FMB's Financial Administration Law Standards

- Standard 19.0 – Risk Management

13. EMERGENCIES AND OPERATIONS CONTINUITY

POLICY

Policy Statement

It is Council's policy to establish a process around emergency and operations continuity planning that addresses the key risks facing the First Nation.

Purpose

The purpose of this policy is to provide guidance on preparing for emergencies through a documented emergency and operations continuity plan designed to meet the size, risk and impact of potential emergencies that could affect the First Nation and its ability to achieve its goals and priorities.

Scope

This policy applies to Council, Officers, committee members, employees and members of the First Nation.

Responsibilities

Council is responsible for:

- approving the emergency and operations continuity plan

The Chief Administrative Officer is responsible for:

- ensuring that an emergency and operations continuity plan is prepared and approved
- ensuring that the emergency and operations continuity plan is communicated to the affected First Nation staff and members as part of its implementation along with any necessary training
- updating the emergency and operations continuity plan on an annual basis

ADMINISTRATIVE PROCEDURES

Procedures

13.1 Analyze the Current Situation

The Chief Administrative Officer will conduct a risk assessment to identify all risks that could have an impact on the operations and finances of the First Nation, including potential threats such as fires, natural disasters, and environmental risks.

For each of the risks identified, the Chief Administrative Officer will determine the likelihood of the threat occurring and the potential impact on the First Nation's operations.

13.2 Develop the Emergency and Operations Continuity Plan

Based on the likelihood and impact, the Chief Administrative Officer, with input from outside expertise as required, will determine which risks will be addressed in the emergency and operations continuity plan. The plan should identify critical systems or operations and how these will be managed in the event of an emergency to minimize effects on the First Nation's overall operations and finances.

Areas which should be examined and examples of issues to address for each risk include the following:

Buildings and sites

How will operations continue if the site is inaccessible or destroyed?

What safety precautions need to be taken in the event of damage to the building?

Critical equipment

Are there backups in place for critical equipment (i.e. an extra item in storage)?

How quickly can repairs be made and by whom?

Are there outside vendors that can be used to replace an unavailable piece of equipment?

Information Technology

Can the computer network be accessed from offsite (e.g. virtual private network)?

Are there adequate numbers of laptops, cell/satellite phones, etc. to maintain communication remotely during an emergency?

Are critical systems and databases regularly backed up? Is the backup stored offsite?

People

How will the First Nation communicate with staff/members during the emergency?

Do the critical finance and operations staff members have designated and trained back-ups?

Is there an offsite location where limited but critical operations can continue during an emergency?

Are there any potential health and safety issues associated with a particular risk? How would these be dealt with?

Responsibilities for each component of the emergency and operations continuity plan will be clearly identified and communicated with the assigned individuals. Alternates for key individuals will be identified and provided with information on their duties.

The Chief Administrative Officer will develop an emergency notification procedure to explain how to enact the plan should an emergency occur.

13.3 Implement the Plan

The Chief Administrative Officer will develop a communication strategy to make sure all affected staff and First Nation members have access to the emergency and operations continuity plan.

All staff who have been assigned responsibilities within the emergency and operations continuity plan will be provided training to carry out their role in the event of an emergency.

The emergency and operations continuity plan will be tested by the Chief Administrative Officer. Testing could include mock disaster exercises, communication and off-site computing tests, fire drills, etc.

The emergency and operations continuity plan documentation will be maintained at all First Nation's site locations and key employees will keep a copy at home. It should include all required information to enact the plan (i.e. emergency contact, responsibilities list, vendor lists, fire drill routes, etc.).

13.4 Annual Review

On an annual basis, the Chief Administrative Officer and key employees will review the plan and associated documentation to make sure it remains relevant and up to date. Updates will be performed, and new versions of the plan and associated documentation distributed to the sites and individuals noted above.

Changes to the plan will be approved by Council.

References and Related Authorities

FMB's Financial Management System Standards

- Standard 20.0 – Risk Management

14. FINANCIAL MANAGEMENT SYSTEM IMPROVEMENT

POLICY

Policy Statement

It is Council's policy to establish a process around continuous improvement in the First Nation's financial management system.

Purpose

The purpose of this policy is to provide guidance on the First Nation's continuous improvement of its financial management system. Regularly reviewing and making improvements to the financial management system of the First Nation helps to make sure the policies and procedures are meeting its needs.

Scope

This policy applies to the Council, Officers, the Finance and Audit Committee, and employees involved in the financial administration of the First Nation.

Responsibilities

The Finance and Audit Committee is responsible for:

- reporting to Council as soon as practicable any gaps or areas of non-compliance between the First Nation's financial management systems and practices and the First Nations Financial Management Board Standards and monitoring actions taken to bring the First Nation into compliance

The Chief Administrative Officer is responsible for:

- planning, scheduling, and conducting internal assessments
- ensuring issues or concerns identified through the internal assessment process are resolved
- holding an annual meeting to review the financial management system for the previous fiscal year
- performing self-assessments of the First Nation's financial management systems and practices against the First Nation Financial Management Board's Standards and monitoring to make sure that any gaps or areas of non-compliance are resolved as soon as possible
- reporting to Council and the Finance and Audit Committee the results of reviews
- ensuring issues and concerns regarding the financial management system are collected, tracked, managed, reported and resolved as required in this policy

ADMINISTRATIVE PROCEDURES

Procedures

14.1 Financial Management System Review

Annually on a date scheduled by the Finance and Audit Committee, the Chief Administrative Officer will review the financial management system for the period of the previous four quarters and up to the date of the meeting.

The agenda items will include, but are not limited to, the following:

- review of the system's processes and procedures
- review of applicable laws for compliance
- review of external and internal assessment results
- review of identified process improvement opportunities including their resolution
- review of all committees' terms of reference
- review of the First Nation's corporate and personnel organization charts

The Chief Administrative Officer will prepare a report for distribution to the Finance and Audit Committee that includes the following:

- statement of whether the financial management system has, during the review period, been operated in compliance with all applicable laws, policies, procedures and directions
- recommendations for any changes to those laws, policies, procedures and directions that would be beneficial to the financial management system

The Chief Administrative Officer will make the report available to Council and auditors.

14.2 Internal Assessments

The employee performing the internal assessment will be independent of the operations or activities being assessed. [This employee will be assigned by the Chief Administrative Officer](#) and must be independent of the operation or activity under review.

A documented report will be prepared by the reviewer for each internal assessment performed. The report will contain the reviewer's findings and resolutions of any concerns identified in the findings.

[Reports will be issued to the Chief Administrative Officer.](#)

14.3 Continual Improvement Process

[The Director of Finance will be responsible for ensuring that any concerns or issues regarding the financial management system brought to their attention are tracked, managed, and resolved on an ongoing basis.](#)

14.4 Review of Financial Administration Law

Annually, the Finance and Audit Committee will review the Financial Administration Law to:

- determine if it facilitates effective and sound financial administration of the First Nation
- identify any amendments to this Law that may better serve this objective

The Finance and Audit Committee will report to the Council and auditors on the results of its review including any recommendations it makes for amendments to the Financial Administration Law.

14.5 Membership Information or Involvement

In the event that recommendations from the Finance and Audit Committee require amendments to the Financial Administration Law, Council will make sure that First Nation members are provided the information or involved in consideration of any proposed amendments to the Law as required in the Financial Administration Law.

References and Related Authorities

The FMB's Financial Management System Standards

- Standard 27.0 – FMB Standards
- Standard 29.0 – Financial Management System Improvement

The FMB's Financial Administration Law Standards

- Standard 33.0 – FAL Review
- Standard 29.0 – FMB Standards