

# QUICK REFERENCE GUIDE

LIVING BY YOUR FINANCIAL ADMINISTRATION LAW

This *Quick Reference Guide* is a tool to support First Nations governments to live by their Financial Administration Law (“FAL”), or do what is written in the FAL that they have chosen to bring to life in their community.

**CAUTION:** This document is not meant to replace the official requirements for a First Nation government to live by its FAL and become Financial Management Systems certified. The official requirements as at **April 1, 2016** can be found in the document “[B2 Financial Management System Standards](https://fnfmb.com/tools-and-templates)” at: <https://fnfmb.com/tools-and-templates> .

---

**The First Nations Financial Management Board** (the “FMB”) is an organization created and run by First Nations that provides tools and training to support First Nations governments in managing their money and property. In addition to this guide, the FMB offers other templates, workshops and videos.

**For more information:**

Please visit: [www.fnfmb.com](http://www.fnfmb.com) or contact us at: 1-877 925-6665 or [mail@fnfmb.com](mailto:mail@fnfmb.com).

*First Nations Financial Management Board*  
Suite 905 – 100 Park Royal  
West Vancouver, British Columbia  
V7T 1A2

**CONTENTS**

**Introduction ..... 4**

**1 Governance ..... 6**

    Policies and Procedures ..... 6

    Delegation of Responsibilities ..... 6

    Code of Conduct ..... 7

    Committees ..... 7

    Finance and Audit Committee ..... 8

    Finance and Audit Committee Calendar ..... 11

    Appointment of the First Nation’s Officers ..... 12

    External Audit ..... 13

    Reporting of Remuneration and Expenses ..... 14

**2 Information Management ..... 15**

    Information Technology ..... 15

    Records and Information Privacy ..... 15

**3 Finance ..... 16**

    Integrated Planning ..... 16

    Reporting and Planning Calendar ..... 17

    Budgets ..... 18

    Financial and Operational Reporting ..... 18

    Account and Cash Management ..... 20

    Spending ..... 21

    Procurement ..... 21

    Borrowing Money ..... 22

    Risk Management ..... 22

    Capital Assets and Projects ..... 25

    System Improvement ..... 26

**4 Human Resources ..... 29**

    Organizational Chart ..... 29

    Human Resources Records Management ..... 29

    Hiring ..... 30

    Dismissals ..... 30

    Performance Evaluations ..... 30

    Training Plan ..... 30

    Misconduct and Compliance ..... 30

**Additional Information: Collecting Local Revenues ..... 32**

    Tax Administrator ..... 32

    Local Revenues Bank Account ..... 32

    Property Assessments and Tax Rates ..... 33

    Local Revenues Spending ..... 33

    Local Revenues Reporting ..... 34

    Investment of Local Revenues ..... 34

**End Notes ..... 35**

INTRODUCTION

This Quick Reference Guide is a tool to support First Nations governments to live by their Financial Administration Law (“FAL”), or do what is written in the FAL that they have chosen to bring to life in their community.

By bringing the FAL to life in a community, a First Nation can become **Financial Management System** certified by the First Nations Financial Management Board (the “FMB”). This certificate shows that a First Nation is doing what it says it will do in its FAL which also shows how well it is managing its **money and property**. This certificate can make it easier for a First Nation to borrow money on the same terms as other governments in Canada to raise money for its projects.

This Quick Reference Guide walks a First Nation through all of the key items in its FAL that need to be brought to life in order for it to obtain a Financial Management System Certificate. Bringing the FAL to life means that Council will need to write **policies** and procedures and put them into practice. These policies and procedures all need to be in line with the First Nation’s FAL, the FMB’s **Standards** and with the *First Nations Fiscal Management Act*.

Policies and procedures clarify the First Nation’s way of doing things and may also protect the Nation from possible legal action and loss of money and property.

There are four key areas of a FAL that a First Nation’s policies and procedures will cover: Governance, Information Management, Finance and Human Resources. This Quick Reference Guide describes each of these key areas. Finally, there is also a section that describes the policies and procedures that need to be in place for First Nations who have chosen to collect local revenues (property taxes) as part of their FAL.

The FMB has sample policies and other tools to support First Nations in bringing their FAL to life. These can be found at: [sample policies and other tools](#) and are shown in this Guide with the symbol:



Under the FAL and the FMB’s standards, Council will need to create and put into use policies and procedures for the activities listed below. These are all described in more detail in this Quick Reference Guide.

<b>Governance</b>	<ul style="list-style-type: none"> <li>• Policies and procedures;</li> <li>• Delegation of responsibilities;</li> <li>• Code of conduct;</li> <li>• Finance and audit committee;</li> <li>• Appoint of the First Nations’ officers;</li> <li>• External audit; and</li> <li>• Reporting of remuneration and expenses.</li> </ul>
-------------------	--

**Financial Management** is the process of managing the money and property of an organization.

**Money and property** are things that can bring future value such as cash, investments, buildings, real estate, equipment, and vehicles. These are also known as assets.

**Policies** are rules and guidelines put into place by an organization’s leadership to make it easier to achieve the organization’s goals.

**Standards** are required or agreed levels of quality or excellence. In this guide, they refer to financial management system standards.

<p><b>Information Management</b></p>	<ul style="list-style-type: none"> <li>• Information technology; and</li> <li>• Records and information privacy.</li> </ul>
<p><b>Finance</b></p>	<ul style="list-style-type: none"> <li>• Integrated planning;</li> <li>• Financial and operational reporting;</li> <li>• Account and cash management;</li> <li>• Spending;</li> <li>• Procurement;</li> <li>• Borrowing money;</li> <li>• Risk management;</li> <li>• Capital assets and projects; and</li> <li>• System improvement.</li> </ul>
<p><b>Human Resources</b></p>	<ul style="list-style-type: none"> <li>• Organizational chart;</li> <li>• Human resources records management;</li> <li>• Hiring;</li> <li>• Dismissals;</li> <li>• Performance evaluations; and</li> <li>• Misconduct and compliance.</li> </ul>
<p><b>Local Revenues</b> (only for First Nations collecting property taxes)</p>	<ul style="list-style-type: none"> <li>• Tax administrator;</li> <li>• Local revenues bank account;</li> <li>• Property assessments and tax rates;</li> <li>• Local revenues spending;</li> <li>• Local revenues reporting; and</li> <li>• Investment of local revenues.</li> </ul>

## 1 GOVERNANCE

**G**overnance is the process of how an organization manages decision-making. Governance describes who has power, who makes decisions, how others make their voices heard, and what goes into reports and financial statements. The policies and activities of a First Nation flow from its governance structure.



### POLICIES AND PROCEDURES

As part of a sound governance structure, Council will need to create a policy that describes how all policies and procedures of the First Nation will be created and put into practice. Under the FAL, only Council can approve policies and Council must keep a current list of every policy of the First Nation. Also, all policies and procedures of the First Nation must:

- be approved by Council;
- be in line with the FAL;
- support good accounting practices;
- include a list of and be made available to the people who have to follow the policy and procedures;
- be kept up-to-date; and
- be changed only when authorized by Council or by the **senior manager**.

### DELEGATION OF RESPONSIBILITIES

An organization runs more smoothly if it is clear who has the authority to do what and when. To do this, Council must create a policy for the **delegation** of responsibilities for people involved with the First Nation including an **officer**, employee, **committee**, contractor, or **agent**.

This policy must describe procedures that the First Nation will follow for:

- any approvals that will be needed for delegating responsibilities;
- keeping records of delegated responsibilities;
- creating standards of work for those completing the delegated responsibilities;
- creating an agreement for the standards above, to be signed by those completing the delegated responsibilities; and
- the regular review of delegated responsibilities.

Council must create a policy for the delegation of an officer's responsibilities (if that is allowed under the First Nation's FAL) that includes the above-listed procedures).

Council is still responsible for the First Nation's administration even if some responsibilities are delegated to others. Under the FAL, Council cannot delegate its responsibilities for approving:

The **senior manager** is the person who is responsible for the overall management of the day-to-day operations of a First Nation.

**Delegation** is the transfer of specific responsibilities from one person to another.

An **officer** is the Senior Manager, Senior Financial Officer, Tax Administrator, or any other employee of the First Nation named by Council to be an officer.

A **committee** is a group of people who are chosen by the First Nation to perform a function.

An **agent** is a person named by Council to act on behalf of the First Nation.

- policies or procedures;
- **budgets**;
- borrowing money;
- **financial reports**; and
- the selection of the finance and **audit** committee members, **chairperson** and **vice-chairperson**.

## CODE OF CONDUCT

A **code of conduct** is an important element of good governance because it acts as a guideline for ethical decision making. It also encourages positive working relationships and acts as a reference for solving ethical issues in the workplace. Under the FAL, Council must create a code of conduct that states that those persons making financial decisions for the First Nation must:

- act honestly, in good faith, and in the best interest of the First Nation;
- use the necessary care, caution, and skill that would be used in similar situations;
- follow the standards set by the FAL, other laws of the First Nation and the *First Nations Fiscal Management Act*;
- follow all policies, procedures, and directions of Council; and
- avoid **conflicts of interest**. If a conflict of interest comes up, the policies and procedures set by Council must set out the steps to avoid and manage the conflict.

The code of conduct applies to Council, officers, employees, committee members, contractors, and agents of the First Nation and must be included in employee contracts, contracts for service, and when approving someone as an agent or to serve on the finance and audit committee. Council must also provide for code of conduct training program for all those that it applies to.

Council must also create a policy that states all persons that the code of conduct applies to must sign a statement saying that they understand and agree to it. This statement must be signed:

- when the person is first hired or assigned; and
- once a year for every year after the original signing date.

This policy must require that all conflicts of interest be reviewed once a year.

## COMMITTEES

A First Nation may choose to form a **committee** to perform a task more efficiently or with expertise in relation to a specific matter. **Terms of reference** allow for the smooth functioning of the committee and Council must create these for each committee. The terms of reference for each committee must set out:

- the minimum number of members needed;
- the conditions a committee member must meet, if any, in order to be on the committee;
- the committee's:
  - goals or desired end results;
  - tasks and responsibilities, including any laid out by the FAL;
  - voting rules; and
  - meeting and reporting responsibilities; and

**Budgets** are plans or outlines of expected money and spending over a set period of time.

**Financial reports** are statements of the First Nation's money and property.

**Audits** check the accuracy of accounts and records.

A **chairperson** is the head of a meeting, department, committee, or board.

A **vice-chairperson** is a person who acts as the head of a meeting, department, committee, or board if the chairperson is not able to attend.

A **code of conduct** is a set of rules and guidelines of acceptable practices for an individual, group, or organization.

A **conflict of interest** is a situation where a person may be involved in several interests which could negatively affect the sound decision-making process of that person.

A **Committee** is a group of persons named to perform a specific duty.

**Terms of reference** define the purpose and structure of a project, committee, meeting, negotiation, or any similar situation.

- that agendas and minutes for all committee meetings must be kept for at least seven years. There is more information on record keeping in [Chapter 2 – Information Management](#).

## FINANCE AND AUDIT COMMITTEE

A finance and audit committee is a committee that oversees the financial reporting and audit functions of a First Nation. It provides forward-thinking oversight of the investments of a First Nation and supports Council in making good financial decisions. The finance and audit committee reinforces Council's accountability and transparency to its members. It is important to understand that it is a recommending committee only and has no decision-making authority.



### Roles and Responsibilities

The finance and audit committee reports to Council and has a financial and audit oversight role. These must be defined in the [terms of reference](#) for the finance and audit committee that must include the financial and audit oversight responsibilities described below.

The finance and audit committee must review and recommend the following to Council:

- draft yearly budgets and **multi-year financial plans** for the First Nation;
- the financial performance of the First Nation and compare any differences between the actual results and what was set out in the budget. Any large differences must be reported to Council; and
- the First Nation's quarterly (once every three months) financial statements.

The finance and audit committee is also responsible for the following:

- to make recommendations to Council about the selection, work and performance of the auditor;
- to make sure that an auditor is independent;
- to make recommendations to Council about the planning, actions and results of audit activities;
- to review and make recommendations to Council about the First Nation's audited yearly financial statements. This includes the audited yearly financial statements about local revenues and any **special purpose reports**;
- to make recommendations to Council about the policies, steps or directions on expenses that can be paid out. This includes the standards for expenses of Councillors and employees;
- to keep an eye on financial reporting risks and **fraud** risks. This includes making sure that the tools and guidelines currently in place for monitoring and reviewing risks are valid as well as considering the cost of creating and using these tools and guidelines;
- to review the FAL and recommend any changes to Council. This includes creating regular and on-topic reports for Council; and
- any other reporting needs as outlined in the FAL.

The FAL requires that Council creates a [finance and audit committee policy](#) that includes:

- the conditions to be a member on the finance and audit committee that include that a member be **independent** (and what it means for a person to be considered independent);
- how potential members show that they meet the conditions for membership and are independent. This must be done in writing before a person becomes a member;

A **multi-year financial plan** lays out the First Nation's expected money and spending including capital spending for several years into the future. It helps in the financial planning of future activities as laid out in the First Nation's **strategic plan**.

A **strategic plan** is an outline of the desired future and direction of the First Nation, and the steps to get there.

A **special purpose report** is a financial report on a specific activity.

**Fraud** is a wrongful or criminal act that involves lying or omitting information. This is usually done for personal or financial gain.

A person is **independent** if they do not have a financial connection with the First Nation's government. A more detailed definition of independence is laid out in the FAL and is also on the next page.



- how new members are selected and their **terms of office**;
- how a chairperson and a vice-chairperson will be selected for the finance and audit committee. Either the chairperson or the vice-chairperson must be a Councillor; and
- written approval for each member of the finance and audit committee to show that he or she meets the conditions for membership. This has to be done every year.

A **term of office** is the length of time a person serves in a named position.

### Member Eligibility

The finance and audit committee policy must also include that:

- the finance and audit committee must have the number of members stated in the First Nation's FAL. The committee must not have less than three members;
- at least one Councillor must be a member of a finance and audit committee with three or more members. At least two Councillors must be members of a finance and audit committee with four or more members;
- all members of the committee must meet the conditions for membership and must be independent; and
- most of the members must have **financial competency**.

A person's **independence** is decided by Council. A person may not be considered independent if a financial relationship with the First Nation's government may change a person's thoughts or actions. If Council decides a person is not independent, he or she may not become a member of the finance and audit committee. Any person who helps in the management of money or property for the First Nation is not considered to be independent and is not eligible to be a member of the finance and audit committee. This includes the planning, organizing, directing or controlling of the First Nation's money and property as well as budgeting, financial accounting, financial reporting, and gaining and using funds.

**Financial competency** is a person's skills and knowledge needed to make sound financial decisions.

The finance and audit committee policy also sets out steps to make sure that the length of time committee members are on the committee:

- is long enough to allow the members to gain knowledge of the First Nation's financial management system; and
- is varied so that not all members of the committee are new members. This allows for continued success of the committee and good planning for future members.

### Member Removal

The finance and audit committee policy also includes the steps for removing a member of the committee, including:

- the standards and conditions for removing a member from the finance and audit committee that are set out in the FAL; and
- the standard that Council must document and confirm that all steps for removing a member have been followed and agreed to when a member is removed from the finance and audit committee.

### Member Replacement

The finance and audit committee policy must also include the steps for replacing a member of the committee who has been removed, leaves, or dies before their term of office expires. When a

member leaves, for any reason, Council must assign a new finance and audit committee member to take the position. This must be done as soon as possible.

### Alternate Members

Council may assign a substitute member of the finance and audit committee if the Nation has specified this in its FAL. The finance and audit committee policy must also include the steps to follow the rules of the FAL, including that the substitute member:

- may attend finance and audit committee meetings;
- may vote in place of a member who is unable to attend the meeting;
- may vote if there is a conflict of interest for a current member; and
- must also meet all rules and conditions for being a member of the finance and audit committee.

### Meetings

The finance and audit committee policy must also include the steps for committee meetings, including that:

- there must be the senior manager and the **senior finance officer** at all committee meetings, allowing for some exceptions. These officers attend the meetings to present information and answer any questions. They cannot vote and are not members of the finance and audit committee;
- the committee must keep written records of who came to the meetings (committee members, the senior manager, and the senior financial officer);
- the number of committee members required at a meeting must be at least half (50%) of the total number of committee members, including at least one Councillor;
- each member of the committee can have one vote on any question, so long as there are no conflicts of interest;
- votes that end in a tie will be decided as it is outlined in the First Nation's FAL;
- the committee must meet at least once every quarter (once every three months). The committee must meet as soon as possible after they get the audited annual financial statements and report from the **auditor**;
- notes must be kept for each meeting, and these notes must include all important information discussed in the meeting;
- the committee must report to Council shortly after each meeting with what was discussed in the meeting;
- all outlines and information for each meeting are to be sent to the chairperson of the committee if the chairperson is not a Councillor; and
- when the chairperson is not a Councillor, the chairperson is to be given any materials or information that is given to Council.

The **senior financial officer** is the person who is responsible for the day-to-day management or administration of the First Nation's financial management system.

**Auditor** means the independent external auditor of the First Nation appointed by Council.

If the First Nation has specified in its FAL that the finance and audit committee can make rules for its meetings, the finance and audit committee policy must include steps that the committee must put these rules in writing and that these rules must not conflict with any other directions given by Council.

The finance and audit committee's activity calendar is summarized as follows:

**FINANCE AND AUDIT COMMITTEE CALENDAR**

FAC to review and recommend the following:	Budget	Y/E	Q1	Q2	Q3
	Feb	Jun	Jul	Oct	Jan
<b>Financial Planning</b>					
1. Multi-year Financial Plan	X				
2. Annual Budget	X				
<b>Financial Reporting</b>					
3. Monthly Financial Summary Report					
4. Quarterly Financial Statements			X	X	X
5. Annual Audited Financial Statements		X			
<b>Audit</b>					
6. Auditor’s Engagement and Fees				X	
7. External Audit Plan				X	
8. Financial Management System				X	
9. Financial Administration Law				X	
10. FAC Terms of Reference				X	
<b>Risk Management</b>					
11. Risk Assessment and Risk Management Plan	X				
<b>Capital Projects</b>					
12. Annual Capital Project Budget	X				
13. Quarterly Capital Project Update			X	X	X
<b>Other</b>					
13. Annual Report		X			

## APPOINTMENT OF THE FIRST NATION'S OFFICERS

There are certain key tasks that need to get done in every First Nation. These involve managing the overall day-to-day operations of the First Nation that includes specific tasks around finances and reporting. The FAL requires that these be assigned to specific individuals to make sure that they get done. Therefore Council must create a policy outlining the duties and roles of the First Nation's officers which include the senior manager, the senior financial officer and the tax administrator (if the First Nation is collecting local revenues).

The FAL allows for the tasks of the senior manager to be done by more than one person, as long as each person reports directly to Council. The FAL requires that the senior manager's role includes the following duties and these must be written in a policy:

- report directly to Council;
- manage and delegate tasks for all officers and employees of the First Nation;
- be responsible for the **contracts** of the First Nation;
- identify, judge, track, and report on the risks and fraud risks of financial reporting;
- track and report the standards for controlling the risks above, including the cost of using those controls;
- perform other tasks as outlined in the First Nation's FAL and other tasks as given by Council.

A **contract** is a written or spoken agreement. Contracts are usually enforced by law.

Council must also create a policy outlining the duties of the senior financial officer. The FAL allows for the tasks of the senior financial to be done by more than one person as long as the senior financial officer remains responsible for making sure that these duties are carried out as required.

The FAL requires that the senior financial officer's role includes the following duties and these must be written in a policy:

- make sure all aspects of managing money and property are done to standard. This includes the financial accounting systems, policies and procedures, and internal controls;
- create and keep up-to-date the **chart of accounts** of the First Nation;
- prepare the First Nation's plans for money and property management, including budgets, for several years (such as three-year, five-year, and ten-year plans);
- prepare the **financial statements** of the First Nation;
- prepare parts of the reports to the Council that have to do with money and property;
- prepare any information regarding the First Nation's money and property that is needed by the Council or the finance and audit committee;
- make sure that all agreements, including those involving money and property, follow the rules and standards of good financial practice;
- create and watch over the preparation and maintenance of financial records and the **financial administration reporting systems**;
- make sure all laws, policies, and procedures about the financial administration of the First Nation are being followed;
- review the financial administration systems of the First Nation and suggest ways to make them better;
- create and suggest steps to protect the First Nation's money and property. This includes making sure that the proper procedures are followed;
- create and suggest ways to identify and control financial reporting risks and fraud risks. This includes making sure that the proper procedures are followed;

A **chart of accounts** is a finance tool that gives a complete listing of every account in an accounting system.

A **financial statement** is a formal record of all money and property of the First Nation within a specific period of time.

A **financial administration reporting system** is software or a tool that is used to watch over and manage the First Nation's money and property.

- report directly to the senior manager or to the Council; and
- perform other tasks as outlined in the FAL and those given by Council so long as they do not clash with those in the First Nation's FAL and the *First Nations Fiscal Management Act*.

## EXTERNAL AUDIT

An external audit is the process of having someone independent review an organization's financial statements and form a view as to whether or not they reflect the actual state of the money and property of the organization. The independent reviewer (known as the auditor) must follow certain standards known as auditing standards. The external audit provides reassurance to the First Nation and other readers of the financial statements that what they are reading reflects reality.

Under the FAL, Council is responsible for overseeing the external audit through recommendation from the finance and audit committee. Council must create a policy about the yearly external audit of the First Nation's financial statements and special reports. This policy must include the steps for the choosing and getting rid of the auditor and must require that the auditor be:

- independent of the First Nation; and
- a public accounting firm or public accountant in good standing with the Chartered Professional Accountants of Canada (and the equivalent group for the province or territory where the public accounting firm or public accountant is located and practicing).

This policy must state that the Council document the choosing of an auditor in an **engagement letter**. This auditor must meet the standards set by the First Nation's policy. The engagement letter states that once the audit has been completed, the auditor must confirm (in writing) that the financial statements and audit follow the rules, regulations, and standards of the First Nations Financial Management Board and all laws that may be relevant. If there are items where these rules, regulations, and standards were not followed, the auditor must also state these and the reasons for them.

This policy must also state that Council require the auditor to:

- give an audit opinion on the yearly financial statements of the First Nation within 120 days after the **fiscal year** end;
- give an audit opinion or review comments on the special purpose reports; and
- complete their tasks as needed and follow the auditing standards set by the Chartered Professional Accountants of Canada.

This policy must also state that the auditor must be given the access and authority they need to carry out their responsibilities and tasks, including the following:

- access to all records. This includes books, accounts and vouchers, Council minutes and notes, Council resolutions, First Nation laws and agreements in which the First Nation is involved, and the ability to ask people about any of this information;
- receive notices of all finance and audit committee meetings. The auditor may choose to attend and speak at these meetings;
- speak with the finance and audit committee about any matters that the committee may need to think about. The auditor will decide if this is needed;
- attend Council meetings where the yearly audit, including yearly financial statements, will be considered and approved. The auditor will be informed when this meeting is taking place. If

An **engagement letter** defines the legal relationship between a professional firm and its client or clients.

A **fiscal year** is a twelve-month period used for taxing or accounting purposes. Most First Nations have a fiscal year beginning April 1 and ending March 31 of the following year.

the meeting is to discuss either keeping or getting rid of the auditor, the auditor may not attend; and

- speak at any Council and First Nation member meeting that the auditor has the right to go to or to which the auditor has been invited. This includes any meetings that may talk about issues that have to do with the auditor's responsibilities and tasks.

## REPORTING OF REMUNERATION AND EXPENSES

Reporting to the First Nation on money paid to and money expended by each Councillor is part of sound governance practices and reinforces Council's accountability to its members. This report is to be completed yearly. The FAL requires that Council create a policy on this that includes the steps for:

- the creation of this report by the senior financial officer;
- including all payments and **expenses** for each Councillor (whether acting as a Councillor or as another role or position) in the report;
- keeping records for each Councillor's payments and expenses, in a safe and private manner; and
- publishing this report in the First Nation's annual report (see [Chapter 3 – Finance](#)).

**Expenses** are costs that are paid back. They include costs such as transportation, accommodation, and meals.

## 2 INFORMATION MANAGEMENT

Information management involves the gathering of information from one or more sources, the sorting and distributing of that information to those who need it, and the management of that information through record keeping. Having the proper controls around information management will support Council and the administration in maintaining the required levels of confidentiality and security of data.



### INFORMATION TECHNOLOGY

To make sure that access to the First Nation's information is managed, Council must create a policy for **information systems** used by the First Nation that follow the below rules and standards:

- information systems are created to help and support the First Nation's operations and **strategic plan**;
- information systems are regularly reviewed to make sure they are being put to the best possible use;
- deals and agreements are entered in the information systems and completed in a timely manner;
- only approved software is used and this software is only available to people who have been trained and approved to use it;
- data and information is easily retrieved and kept according to the standards and requirements of the laws or agreements that the First Nation is under;
- when the First Nation hires contractors to provide information technology services, the definition of services in the contract must meet the needs of the First Nation;
- access to software and data is limited by a set of security tools and techniques;
- the way the data is organized is the way that is best for the First Nation;
- any new methods or ways of organizing the data, or any changes to the previous data structure, are tested before being used;
- all new network, communication, and systems software meet the needs of the First Nation; and
- new computer hardware such as laptops and monitors meet the needs of the First Nation.

An **information system** is software or procedures used to organize and analyze data.

A **strategic plan** is an outline of the desired future and direction of the First Nation, and the steps to get there.

### RECORDS AND INFORMATION PRIVACY

A sound governance system includes the documentation and saving of certain information (records) that allows for the First Nation to operate smoothly and also for Council to meet the accountability and transparency expectations of its members. Council must create a policy for the records of the First Nation that includes the creation, upkeep, security, storage, access, and removal of these records. These records must follow any legal rules and standards that are in place. This policy must include the steps for receiving and managing requests for information that the First Nation has access to, must release and keep private.

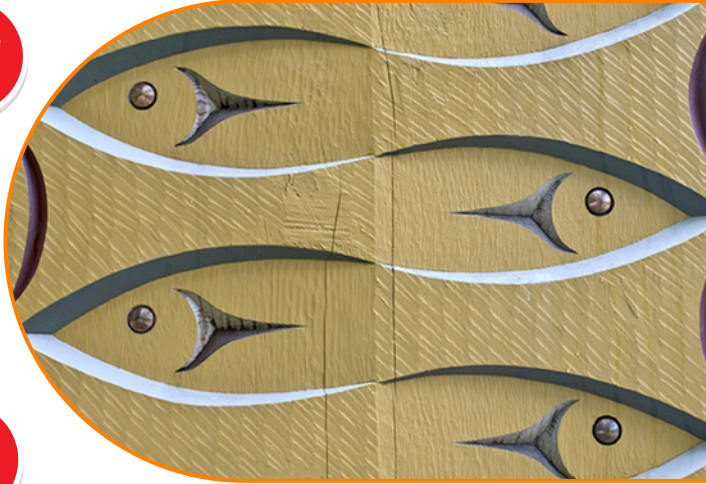
3 FINANCE

Finance refers to the activities that a First Nation does around budgeting, planning, reporting, managing cash, spending, borrowing, managing risks and **capital assets**. These activities support the First Nation in outlining and prioritizing its strategic goals and work plans and managing these through budgeting, reporting and reducing risks to the First Nation.



**INTEGRATED PLANNING**

Integrated planning is a process for establishing the First Nation’s priorities and linking them to operations and spending. A First Nation does integrated planning to make sure that it has enough resources to deliver quality services to its members at a reasonable cost. This will support the First Nation in achieving its goals.



Under the FAL, Council must create a policy to outline its planning and budgeting process that explains:

- when and how often plans should be created and what these plans should include. These plans must include strategic plans, multi-year financial plans, **capital project plans**, **life-cycle asset management plans**, and annual budgets;
- what parts of these plans overlap or are related to one another;
- who is responsible for creating, organizing, approving, changing, updating, and speaking about each of the plans; and
- how the members of the First Nation will participate in or be told about the plans, the budget, budget **deficits**, and any significant non-budgeted spending, as is required under the FAL.

An **asset** is anything of value owned by the First Nation.

A **capital asset** is property (buildings, land) and major equipment (furnaces, vehicles).

A **life-cycle asset management plan** sets out the First Nation’s assets in terms of costs to buy, operate, upkeep and get rid of each asset over a period of time.

This policy must specify that the First Nation’s planning and reporting year (fiscal year) begins on April 1<sup>st</sup> and ends on March 31<sup>st</sup> of the next calendar year.

A **capital project** is a project that helps to buy or improve a capital asset.

The diagram on the next page sets out the reporting and planning calendar of the First Nation under the FAL. Each of these activities is described in the following sections.

A **deficit** is a shortage that occurs when an organization spends more money than it has on-hand over a period of time.



REPORTING AND PLANNING CALENDAR



Financial Plans

Under the FAL, financial plans means the strategic plan and multi-year financial plan, which a First Nation must have and keep up-to-date. A strategic plan identifies the place that a First Nation is trying to get to – a shared vision for the future. It guides the work of Council and the administration by giving them direction on how to get to where the First Nation wants to be. It is the base for all other plans of the First Nation and is an important act of self-determination. The multi-year financial plan sets out the money that will be needed over the next five (5) years to deliver the activities outlined in the First Nation’s strategic plan.

The FAL requires that Council create a policy for the making and updating of the strategic plan of the First Nation and that Council go over the strategic plan regularly and make changes where it sees fit.

The FAL also requires that Council create a policy for having a multi-year financial plan for the First Nation. This policy must require that the multi-year financial plan:

- include the current year and the next four (4) years;



- use the expected values of the revenues, expenses, and transfers between accounts. These need to be separated by category;
- show any expected extra money or approved shortages of money;
- include the life-cycle asset management plan for the First Nation's capital assets (see the section below titled "[Capital Assets and Projects](#)"); and
- support the same goals as the strategic plan.

## BUDGETS

A yearly budget outlines the planned spending for the First Nation over the next twelve (12) months. It should flow from the First Nation's strategic and multi-year financial plans. Under the FAL, Council must create a policy for making a yearly budget for the next fiscal year. This policy must set out the yearly budgeting process, including:

- all tasks and activities that must be completed before the budget is approved;
- the person who is responsible for each task or activity; and
- how long it will take to complete and organize these tasks or activities.

This policy must also include the steps for getting the yearly budget approved, including the standards that:

- Council must approve the yearly budget of the First Nation by March 31 of each year. This approval is for the budget of the following fiscal year; and
- Council must approve any changes made to the yearly budget after it has already been approved.

This policy must also include the steps for handling budget deficits, including:

- the factors that may cause or increase a deficit; and
- that Council get suggestions from the finance and audit committee about how to balance the budget deficit.

## FINANCIAL AND OPERATIONAL REPORTING

Financial and operational reporting promotes transparency and accountability and communicates to members the First Nation's progress towards achieving its goals. The FAL requires reporting regularly to members on the money and property of the First Nation as well as on the activities that took place during a specific period of time. Under the FAL, there are several reports that must be prepared, reviewed and most often approved. These include:

- monthly financial information (prepared and reviewed only);
- quarterly financial statements;
- yearly audited financial statements;
- yearly special purpose reports; and
- yearly (annual) report.

Council must create a policy for reporting the First Nation's financial results. This policy must state that the First Nation will keep an up-to-date list of financial reports that need to be prepared on a regular basis and that these reports must include:

- the name of the report;

- the person who is assigned to create the report;
- when the report will be available; and
- who is getting the final report.

**Monthly financial information:** The policy must state that Council and the finance and audit committee will receive and review the financial information and activity of the First Nation each month.

**Quarterly financial statements:** The policy must also state that quarterly (once every three months) financial statements will be prepared and require that:

- the senior financial officer prepares the quarterly financial statements;
- Council must review and approve the quarterly financial statements, as recommended by the finance and audit committee, no later than 45 days after the end of the quarter which the statements were prepared for; and
- the quarterly financial statements include:
  - the amount of money and property earned and spent, compared to the yearly budget;
  - a **balance sheet**;
  - a **financial institution account reconciliation**; and
  - any other information asked for by the finance and audit committee or the Council.

**Yearly audited financial statements:** The policy must set out the steps and information for the preparation and approval of the First Nation's yearly financial statements. This includes the standards that:

- the senior financial officer must prepare the yearly financial statements;
- the financial statement must be prepared in a way that follows **generally accepted accounting principles**;
- Council must review and approve the financial statements as recommended by the finance and audit committee. This must be done by the earliest date of either 120 days after the end of the fiscal year or a time stated in the First Nation's FAL; and
- the Chief or Council chairperson of the First Nation must sign the annual financial statements. If the Chief or Council chairperson is not available, the following people can also sign the annual financial statements:
  - the chair of the finance and audit committee; or
  - the senior financial officer.

**Special purpose reports:** The policy must state that the senior financial officer must prepare any special purpose reports that are needed by the First Nation's FAL on a yearly basis. The reports may include, but are not limited to:

- the yearly report on remuneration and expenses of Councillors;
- a report clearly stating all payments made by the First Nation to fulfill **guarantees** and **indemnities**;
- a report clearly stating all debts and required tasks that have been waived by the First Nation during the fiscal year; and
- a report clearly stating the money and property the First Nation has gained from **First Nation lands**. This report is only needed if the First Nation has a land code in force. (Some First Nations manage their land and have adopted land codes under provisions of the *First*

A **balance sheet** is a report that summarizes all money and property owned, money and property owed, and the investments of a business, organization, or First Nation.

A **financial institution account reconciliation** is a report showing that the records of the financial institute (such as a bank or credit union) agree with the records of the First Nation.

**Generally accepted accounting principles (GAAP)** are accepted rules and guidelines when it comes to reporting financial data.

A **guarantee** is a promise to take responsibility for another's financial responsibility if that other cannot meet the responsibility.

An **indemnity** is a security or protection against a loss or other financial burden.

**First Nation lands** means all reserves of the First Nation within the meaning of the *Indian Act*.

*Nations Land Management Act.*) The money and property gained from First Nation lands must be presented in the report as separate from other money and property earned and shown in its own category. This report must also separate money and property gained from natural resources on First Nation lands.

Members of the First Nation must have access to the yearly audited financial statements and the special purpose reports. These reports must be easy to access and available at all times. How to access these reports must be made clear to members of the First Nation.

**Annual Report:** Council must create a policy for the writing and publication of an operations and financial performance report of the First Nation. This report must be created once a year. This policy states that the report must include the following:

- a description of the services and operations of the First Nation;
- a progress report on any set financial goals and performance measures of the First Nation;
- the First Nation's yearly financial statements for the previous fiscal year; and
- the special purpose reports.

This policy states that the annual report must be posted by the earliest date of either 180 days after the end of the fiscal year or by a time stated in the First Nation's FAL.

This policy must include instructions for:

- how First Nation members can access the annual report; and
- how to get this report to First Nation members who have asked for the report but have not yet received it.

If the First Nations Financial Management Board or the First Nations Finance Authority ask for this report, a copy must be given to them.

## ACCOUNT AND CASH MANAGEMENT

Control over access to, and the management of, an organization's bank accounts (**financial institution accounts**) is an important part of good finances. The FAL requires that a policy and certain procedures be put into place to make sure that a First Nation's bank accounts and cash are managed to limit the chance of loss of money.

Under the FAL, Council must create a policy for the management of the First Nation's financial institution accounts that includes that:

- all accounts are kept and used only for their intended use;
- all records of account happenings are kept up-to-date and are available at any time for review;
- all records about those in charge of the financial institution accounts must be kept up-to-date and any changes need to be reported to Council; and
- any changes made to the rules for writing a cheque need to be reported (in writing) as soon as possible to the financial institution. The rules for writing a cheque are outlined by Council, the finance and audit committee, or the senior financial officer. A copy of these changes should be kept in the First Nation's records.



A **financial institution account** is an account with a company which provides financial services. This is usually a bank or credit union.

This policy must also include the steps for making deposits into the First Nation's financial institution accounts, including that:

- all exchanges of cash should be done in a way that is clear and controlled so that fewer mistakes are made;
- a record must be kept of any deposits that will happen on a regular basis;
- it must be clear where each deposit is coming from and from what type of source; and
- all money in the deposit must be separated into different groups as needed.

This policy must also include the steps for **financial institution account reconciliation**, including that:

- all financial institution accounts must be reviewed and reconciled by the senior financial officer. This must be done within 30 days from the end of each month, though exceptions may be made with good reason; and
- any errors or items seen as being out of the norm are documented and reported by the senior financial officer to the finance and audit committee as soon as possible.

A **financial institution account reconciliation** is a report showing that the records of the financial institute (such as a bank or credit union) agree with the records of the First Nation.

## SPENDING

Having rules and procedures in place for how spending can get approved and for what is an important part of a First Nation's ability to operate smoothly. Under the FAL, Council must create a policy for the management of all the First Nation's spending. This policy must include that:

- all documents related to getting goods or services (e.g. **requisitions, purchase order, requests for proposals, or tender calls**) are clear about the details of the goods or services being asked for;
- all cheques and other forms of payment must have two signatures or two approvals;
- limits are in place for how much can be spent on goods or services are set up and clearly documented;
- the same person who approves the spending of money may not also approve a payment;
- the spending of money is only done if allowed by the budget of the First Nation (subject to any reasonable exceptions to deal with unexpected events that are mentioned in the FAL or in Council policy as laid out in the FAL); and
- controls are used to keep track of spending and show any spending overruns.

A **requisition** is an official demand for something to be done, given, supplied, etc.

A **purchase order** is a commercial document that states the types, amounts, and agreed prices for products or services.

A **request for proposal** is a document which is used to seek plans and bids for items or services.

A **tender call** is a property owner's invitation (either to everyone or to a select group) for bids to complete a particular project.

This policy must include the steps to follow for the repayment of expenses from those who are acting on behalf of the First Nation, including the following:

- the kinds of activities which are done on behalf of the First Nation;
- the kinds of expenses that are approved for repayment, including the categories and limits for these expenses;
- the receipts and other documents needed to support an expense claim; and
- the person who has the authority to approve repayment on expenses for different categories of claims.

## PROCUREMENT

First Nations are responsible for building and keeping up their offices, schools, houses, roads and other capital assets. Having clear rules and procedures around procurement—that is, the supply of goods or services, makes sure that the services get delivered to meet the First Nation's quality and

cost expectations. The FAL requires that Council create a policy on the formal offers or requests for proposals for the supply of goods or services. This includes the situations where a process is required for a formal offer or request for proposal. The policy must include the steps to make sure all supplied goods and services include the need to:

- make sure all suppliers of goods and services to the First Nation are of a good quality and meet certain standards;
- provide support and make the process smooth for new suppliers to start to supply goods and services to the First Nation; and
- make sure supplied goods and services are looked over and reviewed to decide if they follow the standards and are right for contract or buying standards.

## BORROWING MONEY

Borrowing money may support a First Nation in carrying out its projects and plans. Under the FAL, Council must create a policy to show the steps needed for when the First Nation wants to borrow money. This includes the management and use of the borrowed money, as well as the steps for new borrowing, including:

- thinking carefully about any **debt** for the First Nation that may be created because of borrowing money;
- weighing the pros and cons of different ways to borrow money;
- accepting the rules and standards of debt responsibility;
- including members or letting members know certain information as outlined in the FAL; and
- keeping good records for money borrowed. This includes the first amount borrowed, the date(s) that all or any part of the first amount must be repaid, the date(s) when interest on the debt must be repaid, and the cost of borrowing (including interest payments and service or other charges).

**Debt** is something that is owed or due, usually money.

This policy includes the steps to make sure that:

- all payments are made on time;
- the debt payments are tracked and recorded; and
- all debt responsibilities are reported as needed by the FAL and any other agreements attached to the borrowing of money.

## RISK MANAGEMENT

Risk is the possibility that a negative event will happen. Risk management is the process used to plan for these events. Good risk management means thinking about the things that could go wrong in advance, and putting in place controls and plans that reduce the potential impact of any event before it happens. There are different types of risks that a First Nation needs to consider and manage. This will support the First Nation in achieving its goals.



## For-profit Activity

Under the FAL, Council must create a policy to make sure all risks involved in carrying on for-profit activities in the First Nation are limited or managed. This policy includes the steps for the following:

- identifying any risks with carrying out a presented for-profit activity;
- taking the steps needed to limit or manage the risks to the First Nation;

- making sure any for-profit activities are being done in support of the rules and standards of the FAL;
- getting the approvals needed to do the for-profit activity; and
- tracking any approved for-profit activity.

### Loans, Guarantees and Indemnities

Council must also create a policy on the lending of money and the giving **guarantees, indemnities, and securities** so that risks will be limited or managed. This policy must include the steps to make sure all money loaned by the First Nation is properly managed and collected. The policy must also include that:

- money collected and interest owed are provided for;
- rules be created for the writing off and waiving of debts;
- if the First Nation has a program of lending First Nation money to members, this program must allow everyone access, have published rules and regulations, and be clear to anyone reviewing it;
- make sure any money loaned by the First Nation follows any added requirements set by the FAL; and
- any money loaned by the First Nation must be reported yearly in a special report (see the section on [Special reports](#)).

This policy must also include the steps for giving a guarantee on money borrowed, including:

- limits on the number of guarantees and the amount of money they can be given for;
- the approvals needed to give a guarantee;
- making sure any guarantees given by the First Nation follows any added requirements set by the FAL; and
- any guarantees given by the First Nation must be reported yearly in a special report (see the section on [Special reports](#)).

This policy must also include the steps for granting indemnities, including:

- limits on the number of indemnities;
- the approvals needed to give indemnities;
- making sure any indemnities given by the First Nation follow any added requirements set by the FAL; and
- any indemnities given by the First Nation must be reported yearly in a special report (see the section on [Special reports](#)).

This policy must also include the steps for the following:

- giving securities;
- giving expense and payroll advances; and
- giving or making **leases** or **lease to buy** deals.

### Investments

Council must also create a policy on the First Nation's **investments** and investment strategy. This policy should take into account the short-term and long-term investment strategy of the First Nation and the allowed use of available money. This policy must also include the requirement to:

**Guarantees** are protections for buyers or lenders against failure to perform as promised.

**Indemnities** are promises to pay for loss due to the actions of the First Nation or another party.

**Securities** are tradeable financial property such as stocks and bonds.

A **lease** is a contract for renting land, buildings, etc. to someone.

A **lease to buy** deal is a lease where each payment goes toward the purchase price of the asset or property. When the full price is paid up, the ownership is transferred to the buyer.

**Investments** are assets or items that are bought with the hope that they will gain value or provide income in the future.

- perform an estimation of the risk involved before investing;
- get the approvals needed before investing;
- keep and maintain the records of all investment decisions; and
- outline the steps to make sure that all investments made by the First Nation follow any added standards set by the FAL.

### Insurance

Council must also create a policy to make sure that the First Nation has the **insurance coverage** that is needed. This policy includes the steps for:

- identifying the risks of the First Nation and what insurance coverage would be best. This includes risks of Councillors, officers, or employees of the First Nation;
- finding and getting the best insurance coverage for the situation;
- the approvals needed for insurance coverage;
- the actions that need to be taken to make sure that the First Nation always has appropriate insurance coverage; and
- making sure that if any insurance coverage is needed by the FAL, the First Nation has this coverage.

**Insurance coverage** is the maximum amount of risk or liability that insurance services will pay for.

### Emergency Plan

Council must create an emergency plan. This plan is used in any situation that could be considered an emergency and may change the **cash flow** of the First Nation. This plan:

- includes rules for fires, floods, and other environmental risks such as landslides or toxic spills;
- is suitable for the size, risk, and impact of possible emergencies;
- needs regular emergency drills;
- must keep all contact lists up-to-date;
- must explain and send the plan to all people who may be involved or impacted; and
- must be reviewed once a year.

**Cash flow** is money received and spent during a period of time.

### Financial Reporting Risks

Council must create a policy to review and go over the financial reporting risks as part of its review of other risks. This policy must state that the First Nation must report and document any activities that may lead to the risk of the following:

- incorrectly reporting information in the First Nation's financial statements (quarterly and annual). This includes any wrong information about financial reporting standards and timelines, getting information from sources and determining the meaning of this information, and the financial closing process at the end of each reporting period;
- not reaching the planned levels of financial performance for the First Nation; and
- not carrying out the duties of the First Nation that are needed.

This policy must state that the First Nation must create and document ways to watch for risks and keep them under control or manage them when they are seen.



## Fraud Risks

Council must create a policy to review and go over the risk of fraud as part of its review of other risks. This policy must state that the First Nation must report and document any activities that may lead to the risk of the following:

- intentionally wrong reporting of money or property;
- intentionally wrong reporting of other items;
- to put resources, valuables, or money to a wrong use;
- intentionally wrong conduct by those in power; and
- illegal acts.

This policy must also states that the First Nation must create and document ways to watch for risks and keep them under control or manage them when they are seen including the risk of fraud coming from the following:

- items or rewards that are given as part of completing a goal or task;
- being pushed or forced to complete a goal or task;
- poor design or use of activities to watch for risk;
- using First Nation resources, valuables, or money without the proper permission and approval;
- poor administration that leads to things being overlooked;
- ignoring the rules and steps that have been set up by policies or standards;
- technology or systems that are unable to complete tasks or perform tasks badly;
- ignoring laws that could directly or indirectly cause errors with financial reporting;
- incorrect actions being claimed as good based on attitude and explanations;
- management displaying favoritism;
- the level and type of guesses and judgements used in financial reporting;
- the location of the First Nation within the geographic region;
- the type of technology being used and the way in which management can change information using that technology;
- any strange or complicated deals or agreements that need management's input and control; and
- how easy it is for management to change or ignore the rules and standards. Capital Assets and Projects

## CAPITAL ASSETS AND PROJECTS

First Nations are responsible for building and keeping up their offices, schools, houses, roads and other capital assets. This is an important part of healthy and safe community living. Having a policy and procedures on capital assets and projects will support the First Nation in making sure that it has the money to do this when it is needed. It will also make sure that it is done to quality and cost expectations.

Under the FAL, Council must create a policy for managing the First Nation's capital assets. This policy must set out the rules and guidelines for life-cycle planning of these capital assets, including:

- creating and keeping all information on a capital asset up-to-date. This includes the location, owner, year the resource was received, dates of inspection, how long the asset is expected

to be useful (from the time it was received), and (after inspection) the value and insurance coverage of the asset;

- the yearly inspection of all capital assets. This includes what the asset is currently used for, if the asset needs repair, if the asset is the right one for the task it is being used for, the remaining lifespan of the asset and how much it will cost to replace, a guess on the future dates and cost to replace or repair the asset, how much it has cost to use and repair the asset over the last five years, records of repair, and insurance coverage;
- the yearly plan for the regular maintenance and repair of capital assets;
- the yearly budget for repair and replacement of capital assets, including new construction; and
- estimated repair and asset replacement costs, including new construction. These should include the short, medium, and long term cost estimates.

This policy must state that Council must create and put money into a savings fund for the purpose of construction, maintenance, replacement, and purchase of the First Nation's capital assets.

Council must also create a policy for planning and carrying out capital projects. This policy includes the steps for:

- setting the maximum amounts that show when a capital project planning process should begin. These should be set by the amount of money available, sources to receive money from, projects, or the expected impact on the community;
- when the maximum amounts are exceeded, Council must document a capital project plan (which may also be called a business plan or financing proposal); and
- the capital project plan must include all information that is needed to reach an informed decision. This includes the ability to continue the plan's goals over a period of time, the tasks needed for the project to operate smoothly, and a **risk assessment**.

This policy must state that the plan for a capital project must include:

- the necessary project planning, design, engineering, safety, and environmental standards;
- the cost, budget, financing, and approval of the project;
- the standards for hiring or bidding for a contractor;
- **tender, contract form, and contract acceptance**;
- insurance for the varying steps of construction;
- the guarantees of project performance;
- project control, including contract management; and
- money withheld, approvals to work, and procedures for payments and audits.

This policy must also state that the First Nation's members must be part of or told about capital projects and any borrowing of money that is done for the construction of new capital asset projects.

## SYSTEM IMPROVEMENT

Regularly reviewing and making improvements to the financial management system of a First Nation helps to make sure the policies and procedures are meeting its needs.

In order to continuously improve and as required by the FAL, Council must create a policy for collecting, recording, and inspecting the concerns and comments from people involved with or interested in the financial management system of the First Nation.

**Risk assessment** is the process of identifying what can go wrong, analyzing or evaluating the risk associated with the negative event, and determining the best way to remove or control it.

A **tender** is an invitation to would-be suppliers to provide bids on requested goods and services and to show how they would meet the **contract** requirements.

A **contract** is a legally-binding agreement between two parties.

**Acceptance** occurs when the First Nation and the supplier agree to be bound by the terms of the contract.



Council must also create a policy for planning, scheduling, and carrying out internal evaluations of the financial management system of the First Nation. This includes any resolved action of any concerns that are found in these evaluations. This policy must state that:

- internal evaluations must be done of all important activities and processes at least once each fiscal year;
- the person doing the evaluation must not be involved in the operations area or activity that is being evaluated; and
- records must be made and kept of the evaluation's findings and the resulting actions of any concerns found.

This policy must also state that the people responsible for the management and operation of the First Nation's financial management system must meet at least once a year. At this meeting, they must review the following items from the previous quarters and up to the date of the meeting:

- the financial management system's processes and procedures;
- that all relevant laws are being followed;
- the results of the external and internal evaluations;
- the ways to improve processes that were brought up during the year, including their final results;
- all committees' terms of reference; and
- the organizational chart.

This policy must also that the people who attend the meeting must prepare a report to be made available to Council, the finance and audit committee, and the external and internal auditors. This report must include:

- a statement of whether or not the financial management system maintains the rules and standards of all relevant laws, policies, procedures, and directions; and
- recommendations for any changes to those laws, policies, procedures, and directions that would be good for the financial management system.

### Review of the Financial Administration Law

Council must create a policy for keeping good financial practices and procedures while supporting the First Nation's FAL. This policy must include the steps for:

- the ongoing review of the success of the FAL;
- finding and noting any changes to the FAL based on the results of the above review; and
- how members of Council will be told about or involved in the approval of any suggested changes to the FAL.

When a First Nation is ready to be tested for Financial Management System Certification, it must ask the FMB to conduct a formal review of its financial management system:

- the FMB will send a compliance approval for the First Nation's FAL (under section 9 of the *First Nations Fiscal Management Act*, based on the *FAL Standards*);
- the compliance approval takes effect on the same date that the First Nation requests the review; and
- all the rules and standards of the approved FAL are in force.

## 4 HUMAN RESOURCES

**H**uman resources are the people who work or volunteer for an organization. Human resources management is the process of dealing with the hiring, training, performance evaluation and letting go of those who work for an organization. Having policies and procedures that are best practices in human resources management can support a First Nation in attracting and keeping employees who help the First Nation to achieve its goals.



### ORGANIZATIONAL CHART

The FAL requires that a First Nation have a policy to create and keep up-to-date an **organizational chart**. An organizational chart makes clear who reports to who which can help with accountability and performance management. This policy must state that the organizational chart needs to correctly show all governance, management, and administrative positions at each level of the organization. This includes Council, finance and audit committee, and all other committees of Council or the First Nation. This policy must include the steps to make sure that the organizational chart:

- is available to everyone it applies to. This includes Councillors, committee members officers, employees, contractors, and agents of the First Nation and the First Nation's members;
- is kept up-to-date; and
- may only be changed if requested by Council or a person approved to make such requests. The approved person must be approved by Council or by the senior manager.

An **organizational chart** is a visual representation of the different positions in a First Nation that clearly shows reporting relationships (who reports to who).

### HUMAN RESOURCES RECORDS MANAGEMENT

Under the FAL, Council must create a policy for the management of human resources, including the hiring and letting go of employees, the review of employee performance, and the upkeep of employee records. This policy must include the steps that allow the upkeep of employee records, including the need to:

- keep up-to-date records of the First Nation employee's skills, experience, qualifications, abilities, and training; and
- make sure all employee records are kept safe and private.
- Council must also create a policy that requires the First Nation to have and keep up-to-date job descriptions. This policy must include the steps for making sure that job descriptions:
  - outline the main roles and responsibilities of all employees of the First Nation. This includes officers, employees, consultants, and contractors; and
  - are approved by Council or senior manager.

## HIRING

The FAL requires that the human resources policy include the steps and standards for the hiring of the First Nation's employees, consultants, and contractors. This policy must include the steps to make sure:

- someone hired as an employee or consultant or contractor has the skills, experience, qualifications, and abilities for the job; and
- all parts of the hiring process are fair and practical. This includes providing standards for choosing an applicant and evaluating all applicants in the same way. It also includes using rating processes, reference checks, and hiring based on excellence.

## DISMISSALS

The FAL also requires that the human resources policy includes the steps and standards for letting go of the First Nation's employees, with or without cause.

## PERFORMANCE EVALUATIONS

The FAL also requires that the human resources policy includes the steps and standards for employee evaluation. Employee evaluation makes sure that the financial administrative activities of the First Nation are being done by people who are qualified and a good fit for the job. The evaluation must include:

- making sure the skills and abilities of an employee match those needed by their job;
- making sure any training needed by an employee has been completed; and
- keeping records of expected levels of performance, performance reviews and **disciplinary actions**.

**Disciplinary actions** are the steps taken to deal with job-related behavior that does not meet expected and communicated performance standards.

## TRAINING PLAN

The human resources policy must also include the steps for the creation and upkeep of a training plan. This training plan is used for all the First Nation's officers and employees. This includes determining any training that will be needed in the future to maintain the First Nation's growth and health as a community. These future needs are considered after allowing for people changing positions or any changes that may happen in the First Nation's activities.

## MISCONDUCT AND COMPLIANCE

### Financial Misconduct

Under the FAL, Council must create a policy for reporting instances where the rules and standards of the FAL or of Council policies have not been followed. This includes errors or misconduct in the First Nation's financial administration or any misuse of money or resources. This policy makes sure:

- Councillors, officers, employees, contractors and agents who are involved with financial administration activities must report any suspected misuse of money or resources or other suspicious activities within the First Nation's financial administration;
- reports of violations and the identity of the person who reported the violation are kept private;

- the recording, safekeeping, and maintenance of all reported violations and any records created during the investigation of those violations;
- to protect the person who reported the violation from any acts that may occur as a result of the report;
- the reported violation will be looked into and investigated;
- the person who is being reported is not being treated unfairly or with inaccurate judgement;
- appropriate actions are taken by Council if a violation has happened. These actions must be recorded;
- yearly reports are to be made to Council about the success of its policies and procedures;
- the policies and procedures are communicated to everyone involved in activities of the First Nation; and
- the policies and procedures are included in the contracts of contractors and in the appointments of agents and committee members.

### Compliance with FAL

Council must create a policy to make sure all rules and standards of the FAL are being followed. This policy includes the steps to:

- track the costs that would happen if the rules and standards of the FAL are not followed; and
- get the money or property back that was used or lost because of the failure of a person to follow the rules and standards of the FAL.

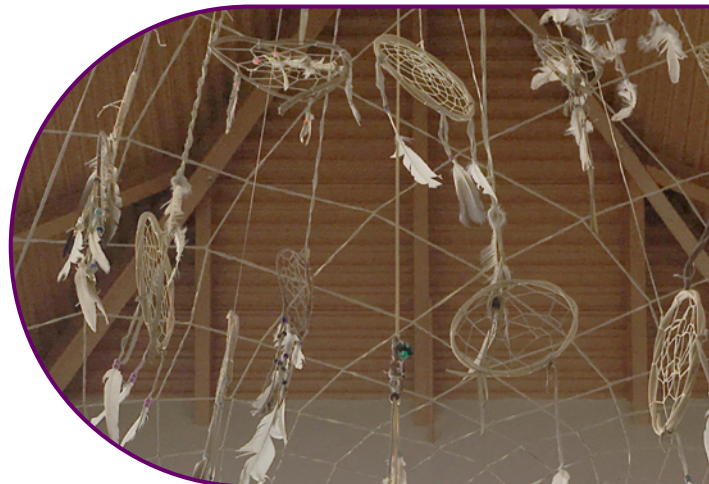
### Compliance with Other Legislation

Some First Nations manage their land under provisions of the *First Nations Land Management Act*. Under the FAL, Council must create a policy to make sure that the rules and standards of this Act are followed. As well, the policy must make sure that any land code is made by the First Nation as needed or allowed under the Act. The First Nation must keep members informed about how it manages the land and handles the money earned from the land.

If a First Nation has a financial code under the *First Nations Oil and Gas and Moneys Management Act*, the FAL requires that Council create a policy to make sure that the rules and standards of this act are followed. As well, the policy must make sure that any financial code is made by the First Nation as needed or allowed under the Act.

## ADDITIONAL INFORMATION: COLLECTING LOCAL REVENUES

First Nations who choose to take advantage of their property tax powers and collect property taxes (referred to as local revenues) through a law under the *First Nations Fiscal Management Act* must also follow certain best practices in managing their local revenues. The FMB has created rules and guidelines to encourage the clear recording and accountability for collecting and spending of local revenues by First Nations that are described below.



### TAX ADMINISTRATOR

Under the FAL, Council must create a policy outlining the duties and functions of the **tax administrator**. The tasks and responsibilities of the tax administrator may be done by more than one person as long as each person involved reports directly to the senior financial officer or the senior manager. This policy must state that the tax administrator must carry out his or her duties as outlined in the *First Nations Fiscal Management Act*, the First Nation's local revenues laws, and the FAL. The duties must include:

- reporting directly to the senior financial officer or the senior manager;
- managing local revenues and the local revenues account on a day-to-day basis;
- recommending the draft and amended local revenues budget component for the yearly budget to the senior financial officer;
- recommending the local revenues component of the multi-year financial plan to the senior financial officer;
- providing advice to the senior manager, senior financial manager, finance and audit committee, and the Council on local revenues matters as requested; and
- making sure all rules and standards of applicable laws are being followed in the administration of local revenues and the local revenues account.

The **tax administrator** is the person responsible for the day-to-day management of property taxes earned and property tax accounts.

### LOCAL REVENUES BANK ACCOUNT

Council must create a policy for the operation of the First Nation's local revenues bank account. This policy must state that:

- a bank account is maintained and operated only for local revenues received by the First Nation;
- this bank account does not contain any money other than local revenues;
- this bank account is not used for any spending other than the spending outlined in the policies mentioned below; and
- records of all bank account transactions (deposits and withdrawals) are kept and available for review at any time.



## PROPERTY ASSESSMENTS AND TAX RATES

Council must create a policy for the First Nation's **property assessment** process and **property tax rate law**. This policy includes the steps for:

- the creation, approval, and review of the record of taxable persons and property at any time as needed in the First Nation's property assessment law;
- the creation and submission of assessment notices to people named on the record of taxable persons and property at any time as needed in the First Nation's property assessment law; and
- keeping any records needed by the First Nation property assessment law.

This policy must also include property tax rate rules that:

- the set rate of tax to be applied to the assessed value of each class of property is done at least once each year; and
- the approval of the law is done by the First Nations Tax Commission.

Council must also create a policy for the use of the First Nation's **real property** taxation law. This policy must state that the following activities must be completed within the time limit stated in the real property taxation law:

- creation of a list of all property in the First Nation that can be taxed;
- creation and delivery of tax notices to people who are named in the above list;
- the application and collection of interest and penalties on money that is owed;
- payment of any **tax refunds**;
- making note of any tax payments on the list of property in the First Nation that can be taxed and sending out receipts for taxes paid; and
- collection of taxes and taking the steps needed to make sure that unpaid taxes are paid.

## LOCAL REVENUES SPENDING

Council must also create a policy for the First Nation's local revenues spending (expenditure) law. This policy must include the standards that require:

- a law by Council establishing a budget at least once a year for spending revenues raised under the First Nation's property taxation law;
- the approval of the law by the First Nations Tax Commission; and
- the approval of any changes to the budget by the Council. This must be done within the required time frame (under section 10 of the *First Nations Fiscal Management Act*). and as soon as possible after the start of the fiscal year.

The policy must also limit the spending of local revenues by stating that the money may only be used:

- as approved in a budget that has been approved by the First Nations Tax Commission; or
- in one of the following situations:
  - if no law has already been made, the First Nation can make a spending law that approves the money that has been spent; or
  - if a law has already been made, the First Nation must decide that the money was spent because of an urgent need. The First Nation must make the necessary changes to the law as soon as possible after spending the money to approve the money that has been spent.

A **property assessment** is the process of determining the dollar value for a property.

A **property tax rate law** is a set of rules that outline the amount of tax to be paid on a property and how often it is to be paid.

**Real property** is any property that is attached directly to land.

A **tax refund** is the difference between taxes paid and taxes owed. This is paid out once a year, after the submission of taxes.

## LOCAL REVENUES REPORTING

Council must also create policy for reporting of local revenues. This policy includes the steps for:

- the creation, review, and approval of a yearly financial report on local revenues, including who is responsible for completing these activities and when these activities must be completed;
- making sure that the report above is separate audited yearly financial statements for local revenues only. If a First Nation raises no more than \$400,000 in local revenues each year, it can present its local revenues as a separate segment of activity in the audited yearly financial statements for the First Nation;
- the audited local revenues financial report or the audited annual financial statements must be available to the following:
  - the members of the First Nation;
  - any people who have an interest in, or the right to occupy, possess, or use, the First Nation's reserve lands;
  - the First Nations Tax Commission, the FMB, and the First Nations Finance Authority; and
  - the Minister of Indigenous and Northern Affairs Canada.

The policy and procedures above must keep the same standards and values as the FMB's *Local Revenue Financial Reporting Standards*.

Council must create a policy to make sure that the senior financial officer or the tax administrator keeps and has available at all times a complete set of all records of the First Nation's local revenues laws and their administration. This includes all records referred to in section 5 of the *Revenue Management Implementation Regulations*.

Council must also create a policy for any services that are paid for with local revenues. This policy must state that:

- a list of all services paid for in whole or in part from local revenues must be kept and maintained. This includes details of previous service agreements and agreements that are not yet approved; and
- the creation and documentation of the expected performance of the critical services above. This includes operating and service delivery performance.

## INVESTMENT OF LOCAL REVENUES

Council must also create a policy for the investment of local revenues. This policy includes the steps to limit the investment of local revenues to:

- 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; and
- securities issued by the First Nations Finance Authority or a municipal finance authority established by a province.

## END NOTES

In order to build success and as required under the FAL and FMB's standards, membership must be involved in or informed of the following activities:

- [Strategic plan](#);
- [Multi-year financial plan](#);
- [Capital plan](#);
- [Annual budget](#);
- [Deficits and extraordinary spending](#);
- [Capital projects including borrowing for new capital projects](#);
- [Annual report](#);
- [Audited financial statements](#);
- [Special purpose reports](#); and
- [Suggested changes to the FAL](#).



First Nations Financial Management Board  
Suite 905 – 100 Park Royal  
West Vancouver, BC V7T 1A2

Tel: 604-925-6665 | Toll Free 1-877-925-6665 | Fax 604-925-6662  
Website: [www.fnfb.com](http://www.fnfb.com)