

ALL ABOUT FINANCE





KEY LEARNING OBJECTIVES



Why is finance important?



What role do I play in the
Nation's finances?

WHY FINANCE MATTERS

- Builds a strong financial future
- Helps grow your economy in a sustainable way
- Helps manage your Nation smoothly



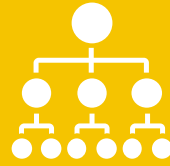
Why does finance matter to **your Nation**?



A FAL is a set of governance and finance practices.



WHY HAVE A FINANCIAL ADMINISTRATION LAW (FAL)?



It puts the same good practices into the hands of current and future Council and staff members.

It makes your First Nation more stable and strengthens members' confidence in how it is run.

FINANCE INVOLVES



**WHAT DOES
FINANCE INVOLVE?**



Since resources are always limited, a Nation should plan and prioritize how it will use its resources to meet its goals.

FINANCE INVOLVES BUDGETING AND PLANNING



What are the
Nation's long term
goals?



How can the Nation manage
its resources over the next year
to support its goals?

PLANNING AND BUDGETING

Long-term plans guide annual plans.

What is your department going to do and how much will those activities cost?

What will all the activities of the Nation cost over the next 12 months?



- Strategic Plan
- Multi-year Financial Plan
- Capital Plan



- Annual department work plans
- Annual department budgets



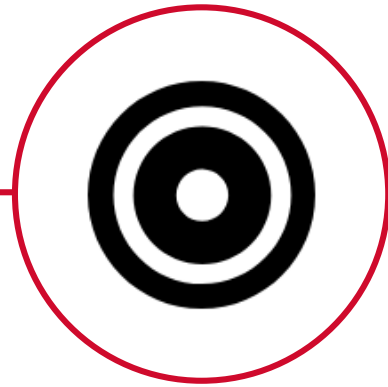
- Annual Budget

PLANNING AND BUDGETING PROCESS



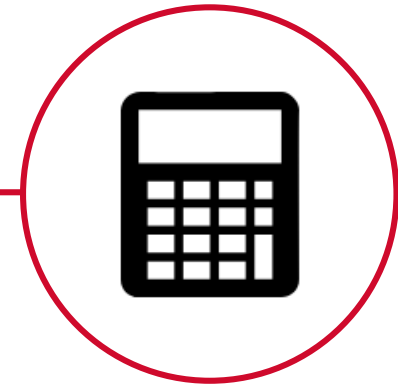
1. Budget Plan

- What steps will be involved?
- What are the key dates?
- Who is responsible for each task (finance, department heads, senior manager)



2. Work Plans

- Departments plan activities for the next year
- Departments goals are linked to the Strategic Plan: what department will do over next 12 months to advance community vision



3. Department Budgets

- Summary of what goals and activities will cost over next 12 months
- Use last year's actual as reference
- What are the financial resources?

PLANNING AND BUDGETING PROCESS



4. Consolidated Budget

- Combine department budgets
- Include operational costs



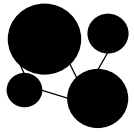
5. Budget Review

- Finance and Audit Committee reviews draft budget and schedules
- Makes recommendations to Council



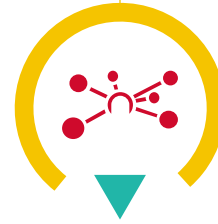
6. Budget Approval

- Have we allocated the resources to achieve our goals?
- Council approves annual budget



Nations need to track and control where the money goes. Careful management of money helps Nations afford to do the things that are important to them.

FINANCE INVOLVES MANAGING MONEY



Who is authorized to spend the Nation's money or borrow on the Nation's behalf?



Are there clear and consistent rules around the Nation's money?

DELEGATION OF RESPONSIBILITY

Who has the authority to do what and when?

Who can authorize expenses?

REMEMBER...

It is hard to control expenses when it is unclear who is allowed to spend the Nation's money.

Nations run more smoothly when it is clear who has the authority to do what and when.

Council should put in place a policy and authorization and delegation table to show who has authority to make decisions and authorize expenses

SPENDING

Rules and procedures

Council is responsible for having rules and procedures in place for how spending gets approved.

- All payments must have two signatures from authorized signing officers
- There must be limits for how much can be spent
- Only authorized employees can approve expenses
- Spending needs to follow the budget



WHAT IS THE DIFFERENCE BETWEEN **SIGNING** **AUTHORITY** AND **APPROVAL OF EXPENSES?**

Signing authority applies to approval of financial transactions (such as signing a cheque).

Approval of an expense refers to the decision to spend money.

Signing authority and approval of expenses are not the same thing.

The appropriate manager first makes the decision to approve spending. For large expenses, Council will make the decision to approve an expense.

Signing authorities will only authorize the transaction after an expense has been approved.

EXPENDITURES AND PAYMENTS

EXPENDITURES

All spending must be made in accordance with Nation's policies and spending limits.

PAYMENT

Requires two different authorized signatures and supporting documents.

APPROVAL FOR PAYMENT

- Requires a payment requisition (request) and supporting documents
- You cannot approve your own expense claim
- The person approving the payment requisition should not be the same person signing the cheque
- Approved payment requisitions should be submitted to finance within 15 days of the expense being incurred or the invoice being received



SEPARATION OF DUTIES

The same person should not approve payments, issue cheques or ETFs, reconcile bank statements, and review credit card statements.

More than one person needs to be responsible for these activities.

RECORDING EXPENSES

Recording expenses in a timely way helps a Nation to:

Why is it important for a Nation to record the expenses of each department and program?

Track where the money is going

Follow budgets

Make decisions

Create accurate financial reports





Reporting is a measurement tool that shows how individuals, departments, and the Nation as a whole are performing.

FINANCE INVOLVES REPORTING

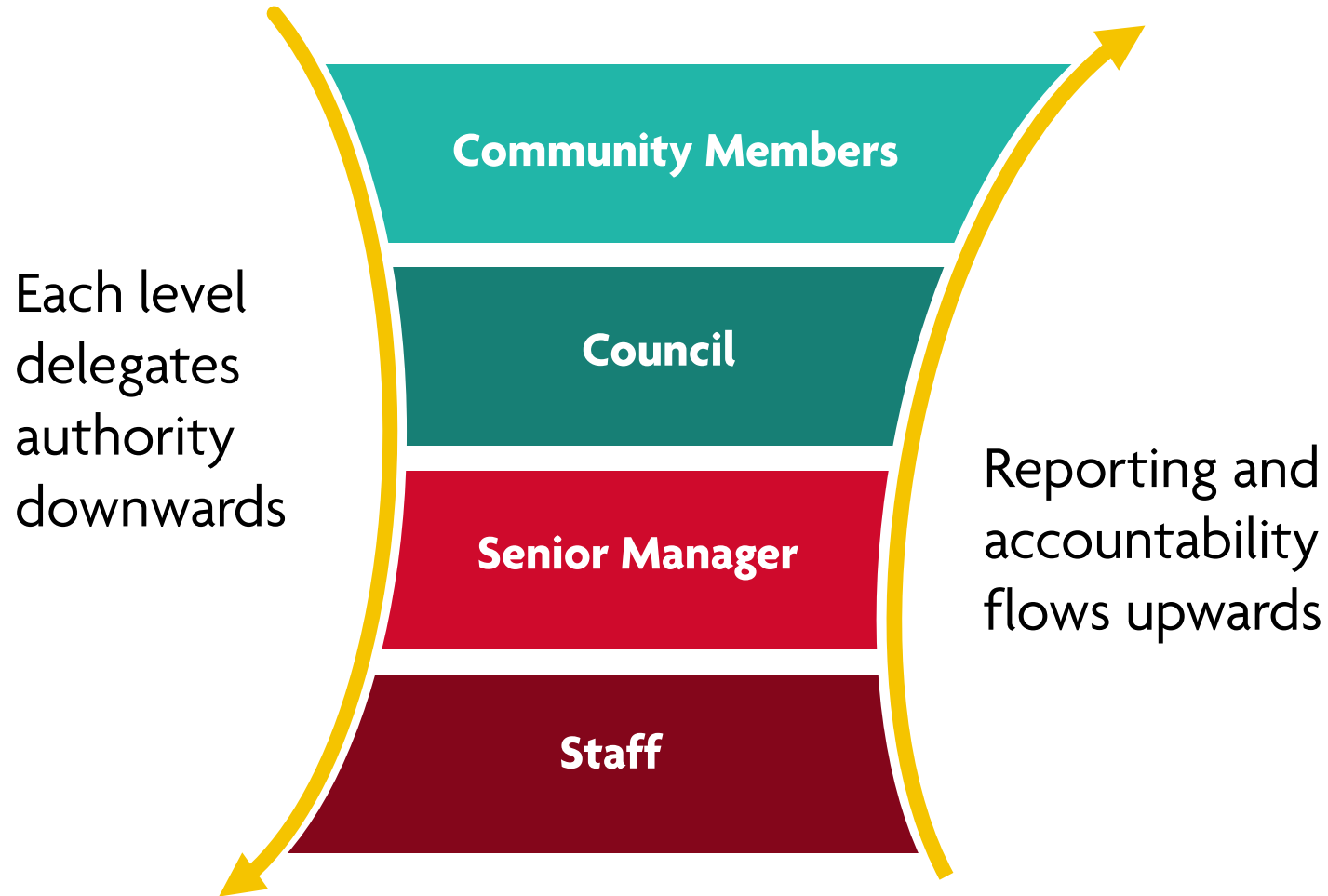


Are departments achieving their goals and spending within their budgets?



Up to date information gives Council and management the ability to make informed decisions

REPORTING STRUCTURE





WHO REPORTS?



All **managers** should make monthly reports on projects, strategic activities, and programming.



The **Senior Financial Officer** prepares monthly financial summaries, and quarterly and annual financial statements for review by Finance & Audit Committee and approval by **Council**.



Council approves yearly audited financial statements and delivers an annual report to the **Nation** after the end of each fiscal year.



MONTHLY REPORTING

Management

- Are department staff spending money according to plan?
- Are department staff on track with their goals?
- What is the budget variance?

Senior Financial Officer

- Prepares financial information on activity of the Nation each month for Council and the Finance and Audit Committee
- Keeps finance department current and up-to-date

Chief and Council

- Regular reporting keeps Council updated and able to make informed decisions
- Regular reporting identifies issues before they become big problems

Finance and Audit Committee

- Receives/reviews monthly financial reporting

QUARTERLY REPORTING

ROLES:

- Senior Financial Officer prepares quarterly financial statements
- Finance and Audit Committee reviews and makes recommendations to Council
- Council reviews and approves statements no later than 45 days after end of quarter

QUARTERLY FINANCIAL STATEMENTS SHOULD INCLUDE:

- The amount of money and property earned and spend, compared to the yearly budget
- A balance sheet
- Financial institution account reconciliations
- Any other information asked for by the Finance and Audit Committee or the Council

ANNUAL REPORTING

AUDITED FINANCIAL STATEMENTS

- Senior Financial Officer prepares annual financial statements
- Auditor completes annual audit of the Nation's financial statements
- Finance and Audit Committee reviews and recommends to Council
- Council approves audited financial statements no later than 120 days after end of fiscal year






ANNUAL REPORT

A chance for Council to report back to the Nation

- Overview of goals and operations
- Annual financial statements and special purpose reports
- No later than 180 days after end of fiscal year



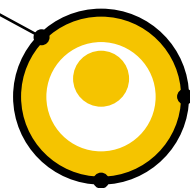
MANAGING THE NATION'S BUDGET

-  Regular and accurate reporting is key
-  Compare the budget to actual spending
-  The difference between the budget and actual spending can tell you if you are overspending
-  Take corrective action to reduce future differences
-  Differences tell Council where the money is being spent and whether certain departments are overspending

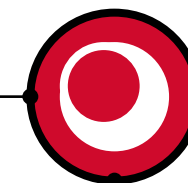
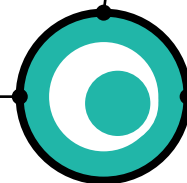


VARIANCE REPORTS FOR MANAGERS

A **positive variance** occurs when actual spending is less than budgeted spending. Positive variance may indicate that department costs were lower than expected or that a department is behind in achieving its goals.



The Senior Financial Officer should produce individual variance reports for each manager so that they can see **actual spending** compared to **planned spending**.



Negative variance occurs when actual spending is greater than budgeting spending. It may indicate that the department underestimated expenses or is not following its work plan and budget.

HOW CAN A MANAGER USE VARIANCE REPORTS?

Track spending
against budget



Monitor
performance



Track the accuracy of
financial records and
account codes



MANAGING A NEGATIVE VARIANCE

If the overall variance represents overspending, there may be problems paying future expenses.

A negative variance can affect your Nation's cash flow (the money moving in and out of your Nation).

If there is overspending, the Nation may have funding and revenue shortages.

The Nation may need to cut out some planned expenditures.

The Nation may need to borrow money for projects. Borrowing money means there will be less money in the next period because of interest and debt payments.

A glowing teepee in a snowy landscape under a starry night sky with a green aurora borealis.

QUESTIONS? Let's chat.

First Nations Financial Management Board

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