



First Nations  
**FINANCIAL  
MANAGEMENT  
BOARD**

## **QUICK REFERENCE GUIDE**

**LIVING BY YOUR FINANCIAL  
ADMINISTRATION LAW**

**[WWW.FNFMB.COM](http://WWW.FNFMB.COM) | APRIL 1, 2019**





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*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.*

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**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, 2019** can be found in the document [\*B2 Financial Management System Standards\*](#) at: <https://fnfmb.com/en/services/set-standards/standards>.

***The First Nations Financial Management Board*** (the “FMB”) is an Indigenous not-for-profit organization that provides tools and training to support First Nations governments in managing their money and property.

**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).



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# INTRODUCTION

**This Quick Reference Guide is a tool to support First Nation 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 the key items in its FAL that need to be brought to life 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*. But don’t worry, FMB has Capacity Development Managers to support you every step of the way.

Policies and procedures clarify the First Nation’s way of doing things and may also protect the First 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](#).

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.

**First Nation government** is used in this Guide to refer to a ‘First Nation administration, First Nation organization, First Nation, and Nation’. These terms are all used to mean a First Nation government.

**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.



<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>
<b>INFORMATION MANAGEMENT</b>	<ul style="list-style-type: none"> <li>▪ Information technology; and</li> <li>▪ Records and information privacy.</li> </ul>
<b>FINANCE</b>	<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>
<b>HUMAN RESOURCES</b>	<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>
<b>LOCAL REVENUES</b> (ONLY FOR FIRST NATIONS COLLECTING PROPERTY TAXES)	<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>





# GOVERNANCE

**Governance 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. Council can choose to delegate approving the procedures to the Chief Administrative Officer (CAO). Also, all policies and procedures of the First Nation must:

- 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 (for policies) or by the CAO (if Council delegates the authority for the CAO to approve procedures).

The **Chief Administrative Officer, or CAO**, is the person who is responsible for the overall management of the day-to-day operations of a First Nation.

## DELEGATION OF RESPONSIBILITIES

An administration 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;

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

An **officer** is the CAO, Director of Finance, 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 Council to perform a function.

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

- 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:

- policies;
- **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

**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 that could negatively affect the sound decision-making process of that person.

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.

## Conflict of Interest

Council must also create a policy and procedures that require the following:

- On an annual basis, Council members must disclose any actual or potential conflicts of interest; and
- Council members must disclose any actual or potential conflicts of interest as soon as they arise.

The policy and procedures must protect the privacy of persons who disclose an actual or potential conflict of interest.

## COUNCIL FAL CALENDAR

	SPRING APR–JUN	SUMMER JUL–SEPT	FALL OCT–DEC	WINTER JAN –MAR	NOTES
<b>GOVERNANCE</b>					
1. Approve policies to meet requirements of the First Nation's Financial Administrative Law ("FAL")					<ul style="list-style-type: none"> <li>▪ As soon as possible after FAL is approved</li> </ul>
2. Review and assessment of policies	X				<ul style="list-style-type: none"> <li>▪ Annually</li> </ul>
3. Sign Code of Conduct declaration				X	<ul style="list-style-type: none"> <li>▪ Immediately when elected; and</li> <li>▪ Annually thereafter</li> </ul>



	SPRING APR–JUN	SUMMER JUL–SEPT	FALL OCT–DEC	WINTER JAN –MAR	NOTES
4. Sign private interest declaration				X	<ul style="list-style-type: none"> <li>Immediately when elected;</li> <li>Annually thereafter; and</li> <li>As soon as possible in the event of an actual or potential conflict of interest</li> </ul>
5. Establish Finance and Audit Committee ("FAC")					<ul style="list-style-type: none"> <li>Includes approval of FAC terms of reference and documented appointment of Chair and Vice-Chair</li> </ul>
<b>PLANNING</b>					
6. Approve annual budget				X	<ul style="list-style-type: none"> <li>Before March 31</li> </ul>
7. Approve any significant changes to the annual budget					<ul style="list-style-type: none"> <li>As soon as possible</li> </ul>
8. Approve 5-year financial plan				X	<ul style="list-style-type: none"> <li>Before March 31</li> </ul>
9. Approve strategic plan			X		<ul style="list-style-type: none"> <li>To be reviewed on a regular, periodic basis and revised as necessary</li> </ul>
10. Approve risk management plan				X	
11. Approve annual life-cycle plan for capital assets				X	
12. Approve annual capital project plan				X	
13. Establish tangible capital asset reserve fund				X	<ul style="list-style-type: none"> <li>Adequacy of reserve fund should be reviewed annually</li> </ul>
14. Approve emergency response plan				X	<ul style="list-style-type: none"> <li>Emergency response plan to be reviewed annually</li> </ul>
15. Approve organizational chart				X	
<b>REPORTING</b>					
16. Review monthly financial information					<ul style="list-style-type: none"> <li>Council to decide on provision to Council, FAC and/or CAO</li> </ul>
17. Approve quarterly financial statements	X	X	X	X	<ul style="list-style-type: none"> <li>Within 45 days of quarter-end</li> </ul>

	SPRING APR–JUN	SUMMER JUL–SEPT	FALL OCT–DEC	WINTER JAN –MAR	NOTES
18. Approve annual special purpose reports, including Schedule of Council Remuneration and Expenses		X			▪ By July 29
19. Approve annual report		X			
20. Publish annual report for citizens		X			▪ By Sept 27 (180 days after fiscal year-end)
21. Evaluate performance of Chief Administrative Officer				X	
<b>AUDIT</b>					
22. Approve audited financial statements		X			▪ By July 29; signed by individuals noted in FAL
23. Ensure citizens have access to the audited financial statements after approval		X			
24. Approve auditor engagement letter and audit plan				X	
25. Review audit findings report and management letter from auditor		X			
<b>LOCAL REVENUE / PROPERTY TAXES (IF APPLICABLE)</b>					
26. Establish separate financial institution account for local revenues					▪ As soon as possible
27. Approve annual budget for local revenue account			X		
28. Approve separate audited financial statements of local revenues (only if >\$400K gross revenues per year)				X	▪ Within 120 days past the reporting year end

## COMMITTEES

Council 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 committee 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
- 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](#).

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.





## 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 citizens. 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 of 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;

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.

- 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 receive the First Nation's monthly financial information if Council delegates this function to the finance and audit committee;
- 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.

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

The FAL requires that Council approve 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 finance and audit committee members show that they meet the conditions for membership and are independent. This must be done in writing before a person becomes a member;
- 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 person is **independent** if they do not have a financial connection with the First Nation government. A more detailed definition of independence is laid out in the FAL and is also on the next page.

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 committee members must have **financial competency**.

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

A person's independence is decided by Council. A person may not be considered independent if a financial relationship with the First Nation 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.

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 committee members to gain knowledge of the First Nation's financial management system; and
- is varied so that not all committee members 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 First 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:

- the CAO and the **Director of Finance** must attend all committee meetings, allowing for some exceptions. These officers attend the meetings to present information and answer any questions. They cannot vote and cannot be members of the finance and audit committee;
- the committee must keep written records of who came to the meetings (committee members, the CAO, and the Director of Finance);
- 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**;

The **Director of Finance** 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.

- 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.

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.

## FINANCE AND AUDIT COMMITTEE FAL CALENDAR

	SPRING APR–JUN	SUMMER JUL–SEPT	FALL OCT–DEC	WINTER JAN–MAR	NOTES
<b>GOVERNANCE</b>					
1. Sign Code of Conduct declaration				X	<ul style="list-style-type: none"> <li>▪ Upon appointment; and</li> <li>▪ Annually thereafter</li> </ul>
2. Sign FAC eligibility declaration				X	<ul style="list-style-type: none"> <li>▪ Upon appointment; and</li> <li>▪ Annually thereafter</li> </ul>
3. Sign private interest declaration					<ul style="list-style-type: none"> <li>▪ As soon as possible in the event of an actual or potential conflict of interest</li> </ul>
<b>PLANNING</b>					
4. Review and recommend to Council annual budget				X	<ul style="list-style-type: none"> <li>▪ FAC must review before Council approves by March 31</li> </ul>
5. Review and recommend to Council multi-year financial plan				X	<ul style="list-style-type: none"> <li>▪ FAC must review before Council approves by March 31</li> </ul>
6. Review and recommend to Council risk management plan				X	
7. Monitor financial risks facing the First Nation and report to Council as needed					<ul style="list-style-type: none"> <li>▪ Ongoing monitoring and report to Council as soon as possible if needed</li> </ul>

	SPRING APR–JUN	SUMMER JUL–SEPT	FALL OCT–DEC	WINTER JAN –MAR	NOTES
8. Review the financial information provided on the life cycle management plan and tangible capital asset register				X	
9. Review and recommend annual capital project budget				X	
<b>FINANCIAL REPORTING</b>					
10. Review monthly financial information					<ul style="list-style-type: none"> <li>▪ Council to decide on provision to Council, FAC and/or CAO</li> </ul>
11. Review and recommend to Council quarterly financial statements	X	X	X	X	<ul style="list-style-type: none"> <li>▪ FAC must review before Council approval required within 45 days of quarter-end</li> </ul>
12. Review and recommend to Council any special purpose reports	X				<ul style="list-style-type: none"> <li>▪ FAC must review before Council approves by July 29</li> </ul>
13. Review and recommend to Council draft annual financial statements	X				<ul style="list-style-type: none"> <li>▪ FAC must review before Council approves by July 29</li> </ul>
<b>AUDIT</b>					
14. Recommend selection of auditor to Council				X	
15. Review and recommend auditor engagement letter and audit plan to Council				X	
16. Review audit findings report and management letter from auditor		X			
<b>LOCAL REVENUE (IF APPLICABLE)</b>					
17. Review draft annual budget for local revenue account			X		
18. Review separate audited financial report on local revenues (required if >\$400K gross taxation revenue per year)				X	<ul style="list-style-type: none"> <li>▪ FAC must review before Council can approve within 120 days after the reporting year end</li> </ul>

## 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 CAO, the Director of Finance and the tax administrator (if the First Nation is collecting local revenues).

The FAL allows for the tasks of the CAO to be done by more than one person, as long as each person reports directly to Council.

The FAL requires that the CAO'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 that may include being provided the First Nation's monthly financial information.

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



# CHIEF ADMINISTRATIVE OFFICER FAL CALENDAR

	SPRING APR–JUN	SUMMER JUL–SEPT	FALL OCT–DEC	WINTER JAN–MAR	NOTES
<b>GOVERNANCE</b>					
1. Review and recommend to Council policies for the administration of the First Nation	X				
2. Review and approve procedures (if responsibility has been delegated by Council)					▪ As soon as possible
3. Make sure staff are trained on all policies authorized by Council					▪ As soon as possible
4. Make sure all employees sign Code of Conduct declaration				X	▪ Upon hiring; and ▪ Annually thereafter
5. Attend all FAC meetings, maintain FAC member list (including terms of office details)	X	X	X	X	▪ CAO to attend but cannot be a FAC member (so cannot vote)
<b>PLANNING</b>					
6. Oversee annual budgeting process				X	▪ Council to approve before March 31
7. Oversee development of multi-year financial plan				X	▪ Council to approve before March 31
8. Update strategic plan			X		
9. Maintain tangible capital asset register		X			▪ Can be assigned to DoF
10. Develop life-cycle management program		X			▪ Can be assigned to DoF
11. Oversee development of capital project plan					▪ As needed
12. Update/establish emergency response plan				X	
13. Manage annual risk management planning and fraud risk assessment process				X	
14. Prepare risk management plan				X	

	SPRING APR–JUN	SUMMER JUL–SEPT	FALL OCT–DEC	WINTER JAN–MAR	NOTES
15. Update organizational chart (Council to approve)				X	
<b>REPORTING</b>					
16. Prepare and maintain financial reports list				X	▪ Can be assigned to DoF
17. Oversee delivery of monthly, quarterly, and annual financial reports from Director of Finance	X	X	X	X	
18. Review monthly financial information					▪ Council to decide on provision to Council, FAC and/or CAO
19. Support publication of annual report for citizens		X			▪ By September 27
20. Oversee performance evaluations of staff and identify any training needs				X	
<b>AUDIT</b>					
21. Support completion of audited financial statements	X				▪ Council approval by July 29
<b>INFORMATION MANAGEMENT</b>					
22. Implement record-keeping and information privacy practices					▪ As soon as possible



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

The FAL requires that the Director of Finance'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;
- report directly to the CAO 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*.

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.



## DIRECTOR OF FINANCE FAL CALENDAR

	SPRING APR–JUN	SUMMER JUL–SEPT	FALL OCT–DEC	WINTER JAN –MAR	NOTES
<b>GOVERNANCE</b>					
1. Attend all Finance and Audit Committee (FAC) meetings	X	X	X	X	▪ DoF to attend but cannot be a FAC member (so cannot vote)
<b>PLANNING</b>					
2. Prepare draft annual budget and submit to FAC				X	▪ Council to approve before March 31
3. Prepare draft multi-year financial plan and submit to FAC				X	▪ Council to approve before March 31
4. Prepare budget for annual capital plan				X	
5. Prepare budget and maintenance schedule for tangible capital assets				X	▪ Preparation can be delegated but DoF is responsible to ensure this is completed.
<b>REPORTING</b>					
6. Prepare monthly financial reports	X	X	X	X	▪ Council to decide on provision to Council, FAC and/or CAO
7. Prepare quarterly financial statements and submit to FAC	X	X	X	X	▪ FAC to review and recommend quarterly report to Council. Council to approve within 45 days of quarter-end.
8. Prepare annual financial statements and submit to FAC	X				
9. Prepare annual special purpose reports as required, including Schedule of Council Remuneration and Expenses	X				
10. Ensure there is an independent review and approval of monthly bank reconciliations	X	X	X	X	▪ Within 30 days after end of month end

	SPRING APR–JUN	SUMMER JUL–SEPT	FALL OCT–DEC	WINTER JAN–MAR	NOTES
11. Document and report any identified reconciliation irregularities to FAC					▪ Report to FAC as soon as is practicable
12. Monitor investments and ensure discrepancies from investment strategy are reported to Council	X	X	X	X	
13. Monitor compliance with debt agreements and report any concerns to FAC					▪ As needed
14. Monitor risks and provide recommendations for risk management				X	
15. Evaluate performance of finance staff				X	
<b>AUDIT</b>					
16. Support completion of audited financial statements	X				▪ Council approval by July 29
17. Review audit findings report and management letter from auditor		X			
<b>LOCAL REVENUE (IF APPLICABLE)</b>					
18. Ensure complete set of records respecting local revenue laws and their administration are maintained					▪ As soon as possible and ongoing
<b>FIRST NATIONS FINANCE AUTHORITY LOAN (IF APPLICABLE)</b>					
19. Ensure complete set of records of all 'other revenues' used to secure FNFA loan are maintained					▪ As soon as possible and ongoing

## 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; Canadian generally accepted accounting standards; and all laws that may be relevant. If there are items where these rules, regulations, and standards were not followed, the auditor must state these and the reasons for them.

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

The engagement letter will also include:

- objective and scope of audit;
- auditor's responsibilities;
- First Nation government's responsibilities;
- expected form and content for reports, including exceptions; and



- auditor responsibility to report to Council in writing any important financial control deficiencies and any time it finds that the First Nation government did not follow the FAL or other relevant laws.

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;
- review and make a recommendation to the Finance and Audit Committee on the special purpose reports; and
- complete their tasks as needed and follow the auditing standards set by the Chartered Professional Accountants of Canada.

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.

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:

- a copy of the First Nation's FAL,
- 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 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 expensed by each Councillor is part of sound governance practices and reinforces Council's accountability to its citizens. 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 Director of Finance;
- 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.



# 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

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.



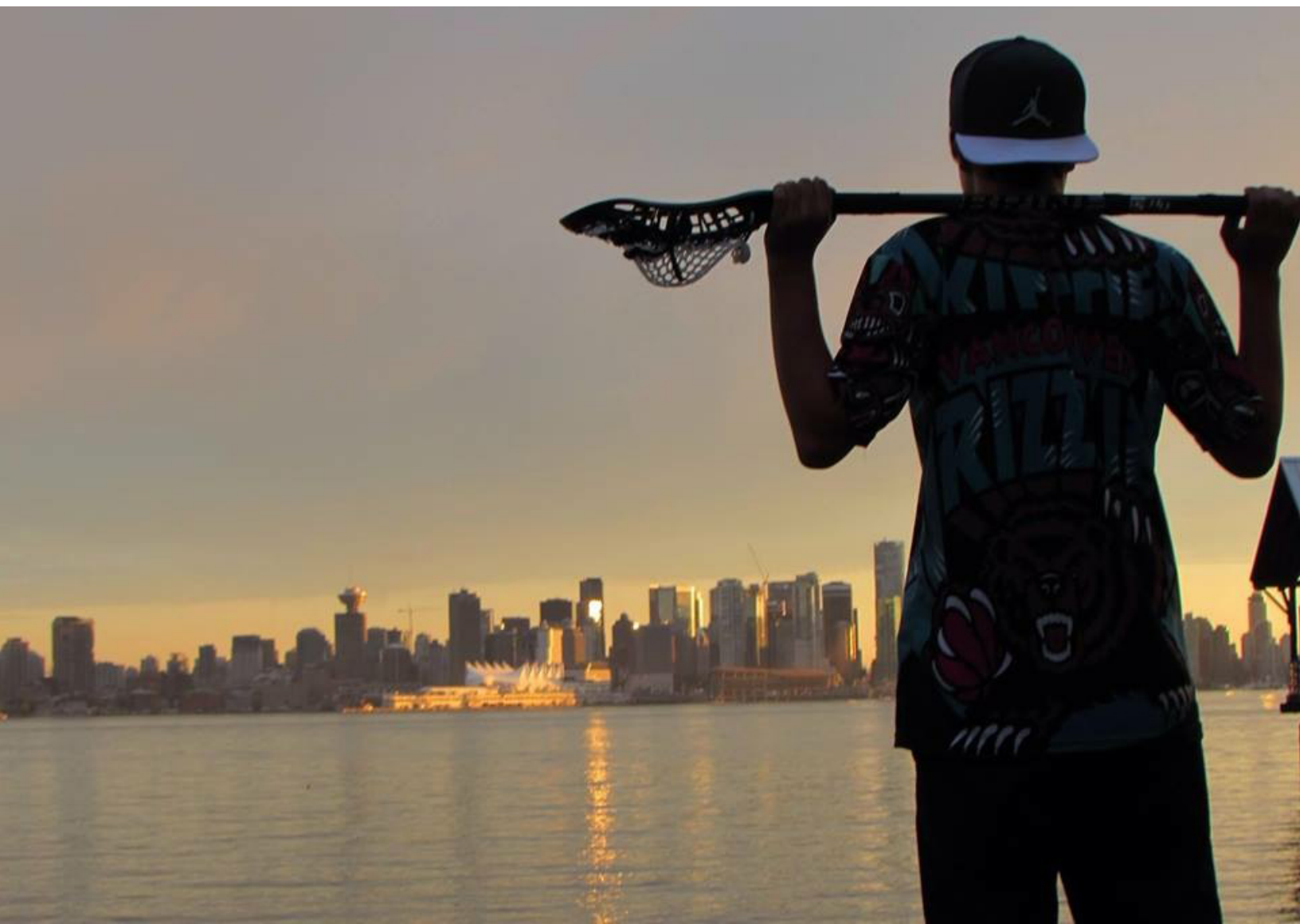
- new computer hardware such as laptops and monitors meet the needs of the First Nation.

## 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 citizens.

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.



# 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 citizens 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 citizens 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.

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.

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.

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

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

## 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](#)");
- include capital projects planned for the First Nation; 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 citizens the First Nation's progress towards achieving its goals. The FAL requires reporting regularly to citizens 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 provided 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 the Director of Finance will prepare monthly financial information each month and submit to one or more of the following for review: Council, the finance and audit committee, and the CAO.

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

- the Director of Finance 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**; 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 Director of Finance 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 Director of Finance.

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.

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

Special purpose reports: The policy must state that the Director of Finance 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 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.

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*.





Citizens 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 citizens 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 goals and performance measures of the First Nation, both financial and non-financial; and
- reference to the First Nation's yearly financial statements and special purpose reports for the previous fiscal year.

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 citizens can access the annual report;
- how the annual report will be provided to the First Nations Finance Authority each fiscal year; and
- how to get this report to First Nation citizens who have asked for the report but have not yet received it.

## 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;

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

- 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 Director of Finance. A copy of these changes should be kept in the First Nation's records.

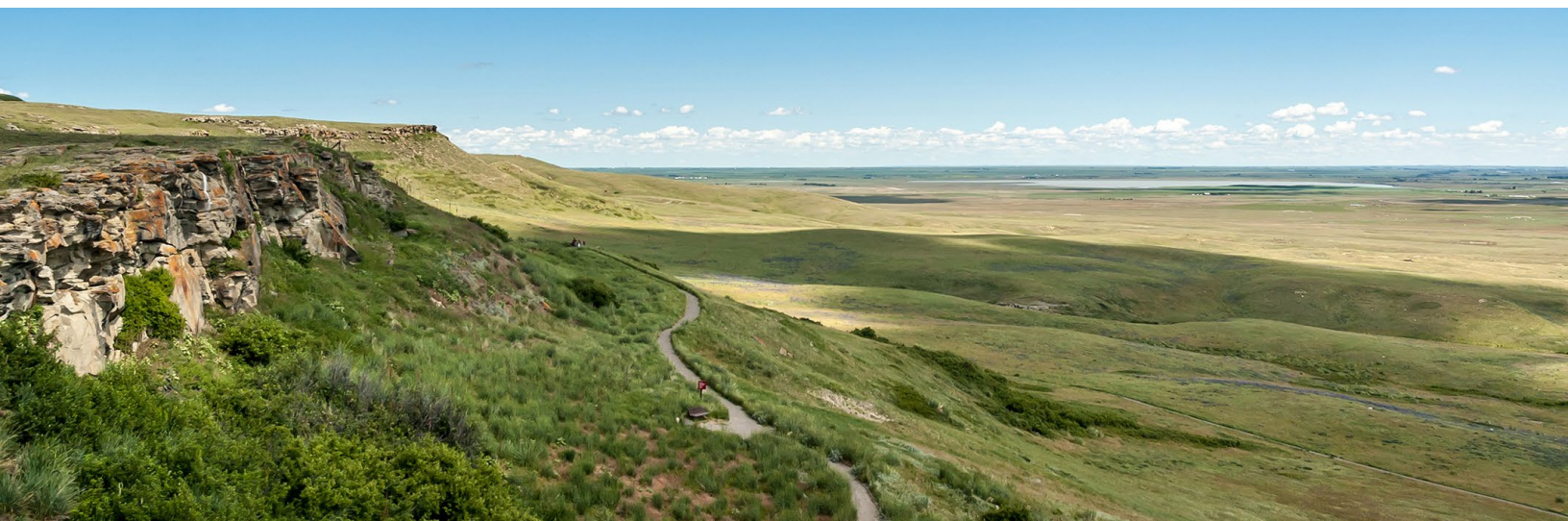
This policy must also include the steps for making deposits into the First Nation's financial institution accounts, including that:

- 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 reconciled within 30 days from the end of each month, though exceptions may be made with good reason;
- reconciliations must be independently reviewed within 30 days from the end of each month; only a person who is not in a direct reporting relationship to the person who prepared the reconciliation can complete the independent review; and
- any errors or items seen as being out of the norm are documented and reported by the Director of Finance 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 citizens or letting citizens 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).

This policy includes the steps to make sure that:

- all payments are made on time;
- the debt payments are tracked and recorded; and



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

- 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 Risks

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 Risks

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 citizens, 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

**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.

- 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' Risks

Council must also create a policy on the First Nation's **investments** and investment strategy. This policy should make sure that the First Nation has a documented short-term and long-term investment strategy that sets out the allowed use of available money. This policy must also include the requirement to:

- perform an estimation of the risk involved before investing;
- get the approvals needed before investing;
- keep and maintain the records of all investment decisions;

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.



- outline the steps to make sure that all investments made by the First Nation follow the documented investment strategy, any added standards set by the FAL, and the First Nation's policies and procedures; and
- from time to time, review the investment strategy to make sure it still meets FMB standards and the needs of the First Nation.

## Insurance Risks

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:

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

## Emergency Plan Risks

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.

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

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.

## 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.

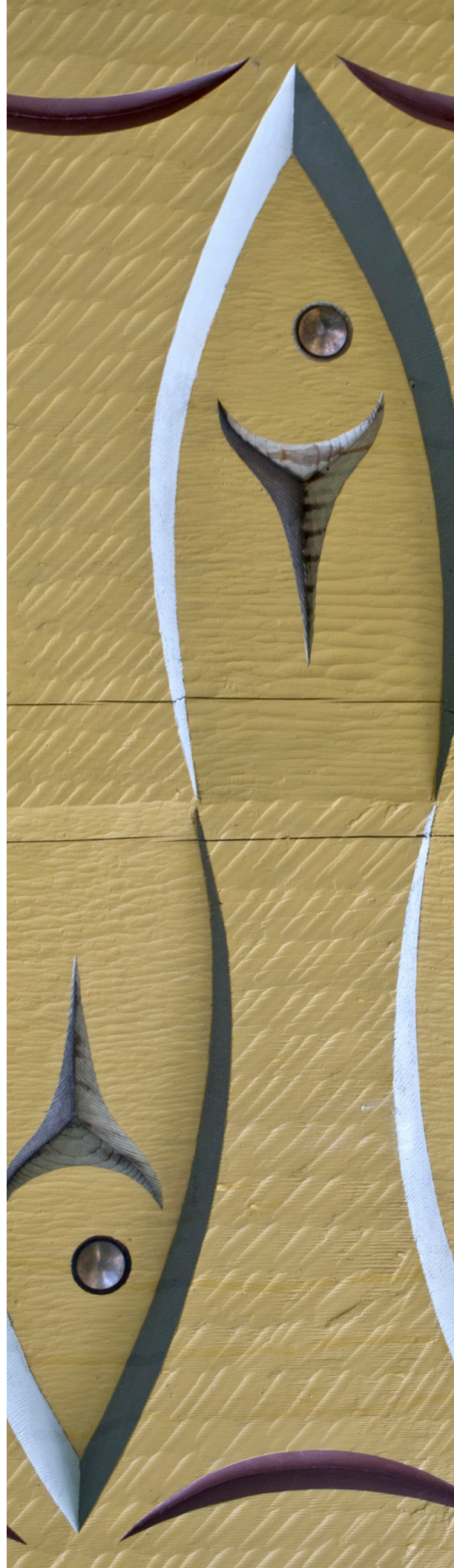
## Fraud Risks

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 fraud to the First Nation.

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

## 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 a register of capital assets up-to-date;
- the regular inspection of all capital assets;
- 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 and money 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;

**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.

- 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 citizens 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.

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 **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.



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.

# HUMAN RESOURCES

**Human 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 First Nation. 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:

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

- 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 citizens;
- 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 CAO.

## 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;
  - set out performance measures for roles and responsibilities of every First Nation officer and employee; and
  - are approved by Council or CAO.

## 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 include the steps and standards for letting go of the First Nation's employees, with or without cause, and the need to keep records of performance measures, performance reviews and corrective and **disciplinary actions**.

## PERFORMANCE EVALUATIONS

The FAL also requires that the human resources policy include 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;
- reviewing and documenting the performance of employees based on established performance measures; and
- carrying out and documenting any **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:

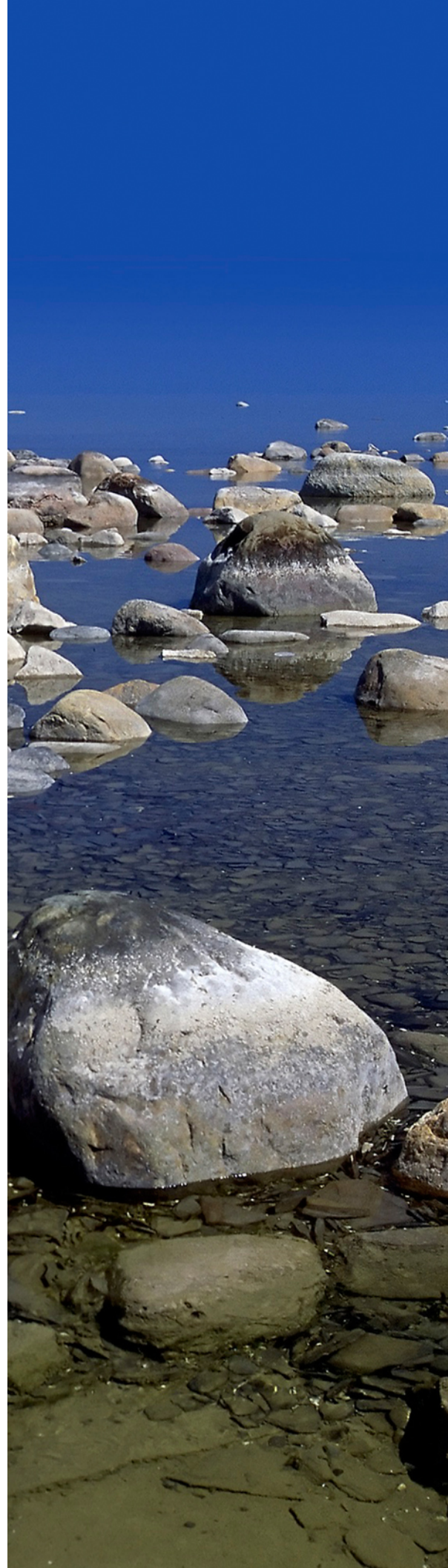
- track the costs that would happen if the rules and standards of the FAL are not followed; and
- get the money or property back that was used or lost because of the failure of a person to follow the rules and standards of the FAL.

## 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 citizens 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.



# LOCAL REVENUES (IF APPLICABLE)

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 Director of Finance or the CAO. 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:

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

- reporting directly to the Director of Finance or the CAO;
- 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 Director of Finance;
- recommending the local revenues component of the multi-year financial plan to the Director of Finance;
- providing advice to the CAO, 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.

## 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.

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 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.

## 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 the separate audited yearly financial statements for local revenues. If a First Nation collects less 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;
- making sure that the First Nation government provides the auditor with the FMB's *Local Revenue Financial Reporting Standards*;
- making sure that the audited annual local revenue statements are approved by Council no later than one-hundred and twenty (120) days after the end of the fiscal year;
- the audited local revenues financial report or the audited annual financial statements must be available to the following:
  - the citizens 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 Director of Finance 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.

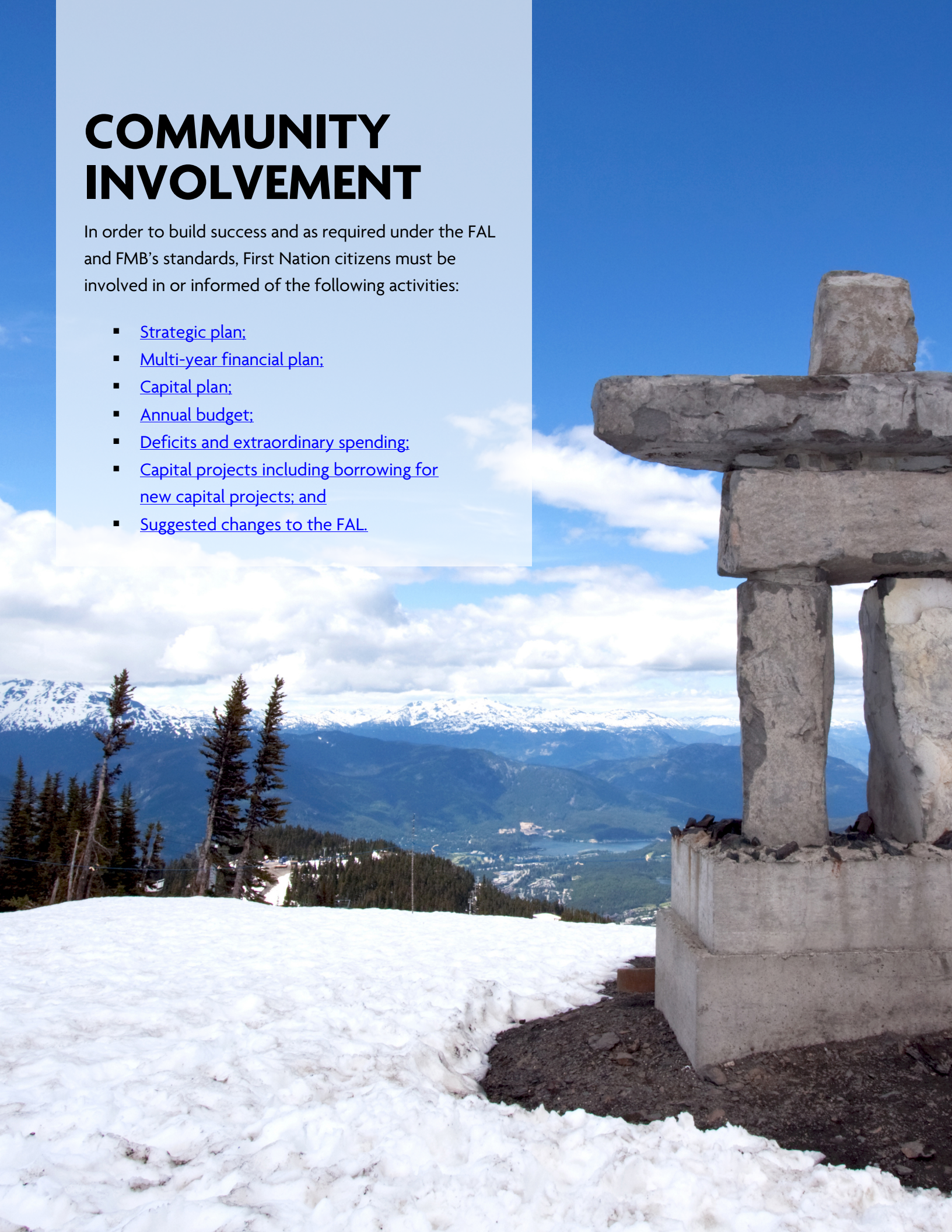




# COMMUNITY INVOLVEMENT

In order to build success and as required under the FAL and FMB's standards, First Nation citizens 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; and](#)
- [Suggested changes to the FAL.](#)





# NOTES

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# NOTES

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