



First Nations  
**FINANCIAL  
MANAGEMENT  
BOARD**

# EXPENDITURES OVERVIEW

## WHY PURCHASING PROCESSES MATTER

**Purchasing is an every day part of a First Nation administration. From time to time, a First Nation needs goods and services such as office supplies, vehicles, consulting services, and equipment.**

### Get good value for money

A First Nation's Council has the responsibility to manage the First Nation's assets on behalf of the members. That responsibility means making good use of the First Nation's funds. Through good policies for purchasing and procurement, Council can make sure the First Nation uses its assets wisely and fairly.

Purchasing and procurement policies outline steps for how the administration can obtain goods and services, depending on the amount, price, and spending limits to make sure the First Nation is getting good value for its money.

### Avoid conflict of interest

Fair and consistent rules for purchasing and procurement support the First Nation to avoid conflicts of interest. Good purchasing rules prioritize quality and value. Gathering multiple quotes or using competitive bidding ensures good use of the First Nation's funds and makes it easier for those involved to be objective and avoid conflicts of interest. An example of a conflict of interest could be an elected official making a decision on a contracting opportunity that involves a business partner, a relative, or a close friend of the official.



#### WHAT IS PROCUREMENT?

Procurement is buying goods and / or services through a tendering or competitive bidding process.

## AUTHORIZATION AND DELEGATION

Who is allowed to authorize purchases on behalf of the First Nation and what are their spending limits? Under the Financial Administration Law, Council sets out authority and spending limits in an authorization and delegation table (available in FMB's [Sample Governance Policy](#)). These rules prevent confusion around spending, and unnecessary or unplanned spending.

**What will be the spending rules and limits at these levels?**



## WHAT TYPES OF SPENDING ARE THERE?

### Department Managers – Low Level Spending

Employees of a First Nation community must be transparent and accountable when spending on behalf of the Nation. All low level spending should align with the approved annual budget. Even with low level spending, there are instances where management should gather quotes to ensure best use of funds. For example, if the Nation's housing manager decided to contract out construction site clean up, it would be wise to gather quotes for this service because prices can vary depending on the work required. In this instance, potential suppliers may be invited to the site to provide a quote based on the site visit. Managers should be trained and make ethical decisions on when it is required to gather quotes for products and services.

### Chief Administrative Officer (CAO) – Medium Level Spending

CAO approval is required when the amount of spending is above the department manager's approval limit. The CAO will use due diligence in approving these larger amounts, which may include a request for quotes or a procurement process, depending on the threshold set by Council. Council will also set limits for approval of extraordinary expenditures, such as emergencies.

### Procurement – High Level Spending

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Council approval is required when a spending amount is higher than the CAO's approval limit. When spending large amounts of the First Nation's funds, Council will require a formal procurement process before giving its approval. These amounts and thresholds are pre-determined by Council in the Authorization and Delegation Table.

### Capital Projects

Council will establish a threshold that will determine when a project is considered a "capital project" and require a capital project plan.

## SAMPLE SPENDING THRESHOLDS

The following example shows what a First Nation's spending thresholds could look like. What could spending thresholds look like at your First Nation?

### \$0 - \$5,000

- Department Manager approval limit
- Multiple quotes required for amounts over \$1,000

### \$5,000 - \$30,000

- Chief Administrative Officer approval limit
- Procurement process required for amounts over \$20,000

### \$30,000 - \$100,000

- Council to approve amounts greater than \$30,000
- Procurement process required

### \$100,000 +

- Threshold for when a project is considered a "capital project"
- Capital project plan required