

**Paqtnkek Mi'kmaw Nation**

## **Finance Policy**

**Approved by Council on January 29, 2019**

**Amended by Council on March 5, 2019**

<b>Statement of Policy and Procedure</b>	
<b>Policy No.</b>	
<b>Department Ownership</b>	<b>Paqtnkek Mi'kmaw Nation</b>
<b>Issue/Effective Date</b>	<b>July 28, 2020</b>

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## 1. Definitions

“Annual Integrated Planning Process”	refers to the annual process whereby all planning and budgeting activities throughout every level of the organization are effectively linked, coordinated, and driven by the First Nation’s vision and strategic objectives.
“Approved Travel Status”	Travel on official First Nation business that has been pre-approved by an individual’s immediate supervisor. Approved Travel Status begins once the individual leaves their place of residence for the approved destination and ends once they return to their place of residence or their regular place of employment (e.g. the First Nation office).
“Arrears”	refers to an unpaid, overdue debt, or an unfulfilled obligation.
“Assets”	include Tangible Capital Assets such as equipment, buildings and land that have been purchased or constructed by the First Nation.
“Asset Recognition Criteria”	means the criteria to be used to set the threshold for determining whether a tangible capital asset must be included in the tangible capital asset register and in the Life-Cycle Management Program.
“Best Value”	refers to the optimal combinations of experience, knowledge, expertise, geographic location, performance, quality, time, initial costs, operation and maintenance, cost, life cycle costs, service, performance characteristics, spare parts availability, warranties and guarantees etc.
“Capital Project”	means the construction, Rehabilitation or replacement of the First Nation’s Tangible Capital Assets and any other major Capital Projects in which the First Nation or its related bodies are investors.
“Capital Project Plan”	means a plan to carry out a Capital Project and an annual capital plan means all of the Capital Project Plans to be budgeted for undertaken in a fiscal year.
“cash”	is currency, cheques, money orders, and equivalent financial instruments.
“Cost”	is the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset, and includes all costs directly attributable to acquisition,

construction, development or betterment of the tangible capital asset, including installing the asset at the location and in the condition necessary for its intended use. The cost of a contributed tangible capital asset, including a tangible capital asset in lieu of a developer charge, is considered to be equal to its Fair Value at the date of contribution. Capital grants would not be netted against the cost of the related tangible capital asset.

“Deferred Maintenance”

is maintenance that was not performed when it was scheduled, or that was delayed for a future period and may result in a decrease in service levels and can affect the life expectancy of the asset. It is noted in the asset register.

“Encumbrance Accounting”

refers to the process of setting money aside (to hold it) for a specific purpose. Money then, is essentially earmarked for certain future purposes and cannot be re-allocated for any other purpose than stated.

“Fairness”

refers to giving qualified firms and individuals an equal opportunity to compete for the contract work; and to evaluating tenders and proposals in accordance with accepted practices.

“Fair Value”

is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

“Financial Institutions”

means the First Nations Finance Authority, a bank, credit union or caise populaire.

“Financial Reporting Risk”

is the possibility of an undetected material misstatement in financial information due to the existence of ineffective Internal Control or fraud resulting from manipulation or alteration of accounting records, misrepresentation or intentional omissions of transactions, or intentional misapplication of accounting principles.

“Financial Reports List”

means the list of financial statements and reports that are to be prepared on a regular basis.

“Fraud Risk”

is the potential for an employee, agent or other person connected to the financial administration of the First Nation to use deception to dishonestly make a personal gain for oneself

or a loss for another. This commonly includes activities such as theft, corruption, embezzlement, or bribery etc.

“Fraudulent Financial Reporting”

means an intentional act in financial reporting that is designed to deceive users of financial reports and that may result in a material omission from or misstatement of financial reports.

“Fraudulent Non-Financial Reporting”

means the intentional act in non-financial reporting that is designed to deceive users of non-financial reports.

“Indemnity”

refers to the right of a person to recover the amount of a financial loss or a liability to a third party.

“Internal Assessment”

is a review of an activity/process by an independent First Nation staff member (i.e. an individual not responsible for or involved in the activity) to determine the effectiveness and sufficiency of controls related to the specific activity or process.

“Internal Control”

is a process, effected by the First Nation’s Council, Finance and Audit Committee, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of reporting; and
- compliance with applicable laws and regulations.

“Invited Tender”

refers to a tender that is distributed to a certain number of contractors who are invited to bid on a specific project. Industry standards indicate that at least three contractors should be invited to ensure that the process is fair and there is sufficient competition.

“Life-Cycle Management Program”

means the program of inspection, review and planning for the management of the First Nation’s Tangible Capital Assets as described in the Financial Administration Law and this policy.

“Life-Cycle Planning”

is a key component of a Life-Cycle Management Program as it provides information for understanding the condition and assessing the performance of capital assets, anticipates the needs for replacements in the short and long term, and assesses the cost and sustainability of existing programs.

“Loan Guarantee”

is a promise to pay all or a part of the principal and/or interest on a debt obligation in the event of default by the borrower.

“Loan Receivable”	is a financial asset of the First Nation (as the lender) represented by a promise by a borrower to repay a specific amount, at a specified time or times, or on demand, usually with interest.
“Misappropriation of Assets”	means the theft of first nation assets in circumstances where the theft may result in a material omission or misstatement in financial reports.
“Net Book Value”	of a tangible capital asset is its cost, less both accumulated amortization and the amount of any write-downs.
“Open or Public Tender”	is the process by which tenders are advertised publicly. Open tenders should allow any qualified potential bidders the opportunity to bid on a project.
“Planning Documents”	are the combination of a strategic (community development) plan, capital budget, multi-year financial plan, and annual budget.
“Portfolio Rebalancing”	refers to the realigning of the weightings of the First Nation’s portfolio of assets and involves periodically buying or selling assets in the portfolio to maintain the original desired level of asset allocation.
“PSAS”	refers to Public Sector Accounting Standards of the Canadian Public Sector Accounting Board, as amended or replaced from time to time.
“Rehabilitation”	includes alteration, extension and renovation but does not include routine maintenance.
“Replacement”	includes substitution, in whole or in part, with another of the First Nation’s Tangible Capital Assets.
“Requisition”	refers to a purchase order used by the First Nation when documenting expenditures.
“Residual Value”	is the estimated net realizable value of a tangible capital asset at the end of its Useful Life to the First Nation.
“Restricted Investments”	are investments made with funds the source of which is either government transfers, local revenues, or other revenues with restrictions on use.
“RFP”	stands for Request for Proposal, which is the process generally followed before awarding a major service contract. RFPs

	identify the need and leave it up to the prospective contractors to make a proposal that is appropriate.
“Risk”	is defined as anything of variable uncertainty and significance that interferes with the achievement of a First Nation’s strategies and objectives. In insurance terms is the possibility of a loss or other adverse event that has the potential to interfere with an organization’s ability to fulfill its mandate, and for which an insurance claim may be submitted. <sup>1</sup>
“Risk Tolerance”	means the degree of uncertainty the First Nation is willing to accept in the achievement of its goals.
“Sole Source”	means a person or company from whom the First Nation may purchase goods and/or services.
“Special Purpose Report”	means the report described in subsection [10](2) of the Financial Administration Law. For the purpose of this policy it refers to the annual report on remuneration, and expenses
“Tangible Capital Assets”	are non-financial assets having physical substance that: <ul style="list-style-type: none"> <li>a. are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other Tangible Capital Assets;</li> <li>b. have useful economic lives extending beyond an accounting period;</li> <li>c. are to be used on a continuing basis; and</li> <li>d. are not for sale in the ordinary course of operations.</li> </ul>
“Tender Process”	refers to the process where documents outlining the requirements and specifications of a project are put in the hands of prospective contractors or suppliers interested in submitting bids.
“Terms of Reference”	is a documented statement of the mandate, objectives, purpose, scope, functions and rules under which a Committee is expected to operate.
“Unrestricted Investments”	are investments made with funds the source of which is not government transfers or local revenues.
“Useful Life”	is the estimate of either the period over which a tangible capital asset is expected to be used by the First Nation, or the number of production or similar units that can be obtained

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<sup>1</sup> Insurance Bureau of Canada: [http://www.ibc.ca/en/Business\\_Insurance/Risk\\_Management/](http://www.ibc.ca/en/Business_Insurance/Risk_Management/)

from the tangible capital asset by the First Nation. The life of a tangible capital asset may extend beyond the Useful Life of a tangible capital asset to the First Nation. The life of a tangible capital asset, other than land, is finite, and is normally the shortest of the physical, technological, commercial and legal life.



## 1. Annual Planning and Budget Policy

- 1.1 It is Council's policy to establish an annual planning and budgeting process that is integrated with the operational and long-term strategy of Paq'tnkek Mi'kmaw Nation ("**Paq'tnkek**").

## 2. Purpose

- 2.1 The purpose of this policy is to ensure that a comprehensive planning process is established to support the on-going decision making of Paq'tnkek.

## 3. Scope

- 3.1 This policy applies to Council and staff involved in the planning and budgeting process.

## 4. Definitions

- 4.1 In this Policy:

"**annual integrated planning process**" refers to the annual process whereby all planning and budgeting activities throughout every level of the organization are effectively linked, coordinated, and driven by Paq'tnkek's vision and strategic objectives.

"**Planning Documents**" are the combination of a strategic community plan, capital budget, multi-year financial plan, and annual budget.

## 5. Responsibilities

- 5.1 Council is responsible for

- (a) reviewing and approving the annual budget and ensuring that it was prepared in accordance with the *Paq'tnkek Mi'kmaw Nation Financial Administration Law* and other applicable Paq'tnkek laws, is based on plausible assumptions and provides for required program and services;
- (b) reviewing and approving any circumstances that are expected to create a budget deficit, including consideration of any recommendations from the Finance and Audit Committee on plans to eliminate the budget deficit in a future period;

- (c) reviewing and approving other Planning Documents including but not limited to a strategic community plan, capital budget, and a multi-year financial plan;
- (d) reviewing and approving any changes or amendments to the annual budget or other planning documents;
- (e) establishing specific goals and service priorities to guide resource and allocation decisions during the budget planning sessions;
- (f) ensuring that a process is in place to address membership priorities in the strategic plan and other Planning Documents as appropriate;
- (g) ensuring that members are informed about or involved in the preparation of the annual budget, multi-year financial plan, budget deficits, extraordinary expenditures and annual budget amendments as set out in the *Paq'tnkek Mi'kmaw Nation Financial Administration Law*;
- (h) establishing general budget policies or guidelines such as requirements for balanced budget and use of cash reserves.

**5.2** The Finance and Audit Committee is responsible for:

- (a) reviewing the draft annual budget and multi-year financial plan and recommending them to Council for approval;
- (b) providing recommendations to Council respecting plans to eliminate any budget deficit in a future year;
- (c) reviewing any draft amendments of the annual budget and recommending them to Council for approval;
- (d) reviewing information, schedules and proposed budget for rehabilitation or replacement of tangible capital assets and plans for new construction of tangible capital assets.

**5.3** The Director of Administration is responsible for:

- (a) arranging and staffing planning sessions for the development of Planning Documents;
- (b) arranging early budgeting planning sessions with Council and program directors and own-source revenue managers;
- (c) ensuring that the budgeting calendar is met;
- (d) reviewing draft budgets in consultation with the Finance and Audit Committee;
- (e) reviewing other draft planning documents in consultation with the Finance and Audit Committee;
- (f) communicating the approved budget to staff;
- (g) maintain a current register of all Paq'tnkek's tangible capital assets and arrange for an annual inspection of them.

**5.4** The Chief Financial Officer is responsible for:

- (a) creating a budget development calendar and ensuring deadlines are met – subject to the *Paq'tnkek Mi'kmaw Nation Financial Administration Law*;
- (b) establishing the format for draft budgets;
- (c) participating in budget planning sessions with Council, the Finance and Audit Committee, Director of Administration and programs directors and own-source revenue managers;
- (d) collaborating with program directors and own-source revenue managers in setting draft expenses for their departments and areas;
- (e) preparing the draft budget or consolidating and evaluating draft budgets from program directors and own-source revenue managers for accuracy, reasonableness, applicable guidelines, and anticipated resources in accordance with Section 26 of the *Paq'tnkek Mi'kmaw Nation Financial Administration Law*;
- (f) developing revenue forecasts based on reviews of fiscal transfer agreements and collaboration with own-source revenue managers on own source revenues forecasts;
- (g) presenting draft annual budgets to the Director of Administration and to the Finance and Audit Committee on an annual basis;
- (h) implementing financial monitoring, including preparing and analyzing budgeted versus actual revenue and expense reports for Finance and Audit Committee use, and overseeing any Council budget amendments;
- (i) making forecasts and preparing budgets for tangible capital assets;
- (h) conducting regular financial monitoring to compare actual income and expenses to those budgeted; and
- (j) any other responsibilities as outlined in the *Paq'tnkek Mi'kmaw Nation Financial Administration Law*.

### ***Annual Integrated Planning Process***

**5.5** An annual planning session will be held in November of each year. The planning session will generally include:

- (a) Council members, members of the Finance and Audit Committee, the Director of Administration, the Chief Financial Officer, program directors and own-source revenue managers;
- (b) establishment or communication of current year and five (5) year operational goals and objectives based on priorities established by Council in consultation with membership;
- (c) presentation of budget development calendar;
- (d) establishment or update of key budgetary assumptions, budgetary constraints, and cost drivers for current year and the five (5) year plan;

- (e) establishment or update of a multi-year capital plan schedule to ensure the effective management of capital assets which identifies and prioritizes expected needs, costs, and expected sources of financing;
- (f) establishment or update of strategies, goals and objectives for the plan that details Paq'tnkek's longer term priorities and the plan for resources needed to meet the objectives of the plan.

### ***Budget***

- 5.6 Based on the annual integrated planning session, the initial operating budget estimates will be prepared and the five (5) year capital budget estimates will be prepared or updated accordingly.
- 5.7 Budget assumptions will be documented and updated throughout the budget preparation process with budget adjustments made as required.
- 5.8 Capital budgeting estimates should include all capital improvement projects (purchase, construction, or renovation of physical facilities) and all capital equipment expenditures.
- 5.9 Any projected deficit must be accompanied by a report that outlines the contributing factors and circumstances to the deficit, and the plan by which it will be eliminated in a future year.
- 5.10 Human resources will provide detailed financial information on staffing and benefits for each department.
- 5.11 The draft budget will be presented for discussion at a Finance and Audit Committee meeting. The Committee may accept the estimates as presented or request amendments, within the context of the operating objectives and the strategic plan.
- 5.12 Where a projected deficit exists, the Finance and Audit Committee will provide recommendations to Council on plans to eliminate the budget deficit in a future year.
- 5.13 The final draft budget recommended for approval to Council by the Finance and Audit Committee will be approved by Council no later than March 31st of the fiscal year proceeding the budget year.
- 5.14 The draft budget must meet the requirements of the *Paq'tnkek Mi'kmaw Nation Financial Administration Law* and the integrated planning process must comply with the schedule for planning activities set out in that law.

### ***Multi-Year Strategic Plan***

- 5.15 Based on the annual integrated planning session, a comprehensive strategic plan to be updated every three (3) years will be prepared that will include:
  - (a) developing a community vision that provides the guiding principle of the plan;

- (b) developing a community priorities list (e.g. housing, education, etc.);
- (c) setting a realistic timeframe to implement the plan;
- (d) identifying the requirements to implement the plan; and
- (e) developing a financial plan for implementing strategic plan.

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

**5.17** The draft strategic plan and any updates to the strategic plan will be presented for discussion at a Finance and Audit Committee meeting. The Committee may accept the plan as presented or request amendments, within the context of the operating objectives and the vision and priorities of Paq'tnkek.

**5.18** The final multi-year strategic plan or amended plan recommended for approval to Council by the Finance and Audit Committee will be approved by Council as a formal planning document no later than March 31st in the year it is created or updated.

### ***Multi-Year Financial Plan***

**5.19** Based on the annual integrated planning session, a multi-year financial plan that has a planning period of five (5) years comprised of the current fiscal year and the four succeeding fiscal years will be prepared that will also include the following:

- (a) revenue projections by major revenue type that demonstrate trends in existing revenue streams;
- (b) in respect of projected revenues sets out separate amounts for income from taxes, fees and charges, transfers from Canada or a provincial or territorial government, grants and business operations and proceeds from borrowing;
- (c) in respect of projected expenditures, sets out separate amounts for payments, including payments of principal and interest on debt, payments required for Capital Projects as defined in the Financial Administration Law, payments required to address any deficits and payments for all other purposes;
- (d) is based on projections of revenues, expenditures and transfers between accounts;
- (e) in respect of transfers between accounts, sets out the amounts from the tangible capital asset reserve account;
- (f) reserves/fund balances that estimate the available reserves available to help short term fiscal shortfalls or unanticipated or planned expenditures;
- (g) shows all categories of restricted cash;
- (h) indicates whether in any of the five (5) years of the plan a deficit or surplus is expected from the projected revenues and expenditures that year; and

(i) a cover sheet that describes the broad assumptions and judgments used in the developments of the plan.

(j) Capital Projects and plans for Capital Projects are to be included.

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

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

### ***Amendment to the Plans and Budgets***

**5.22** An annual amendment process in the Budget Calendar will be included to adjust the plans and budgets.

**5.23** The circumstances to make amendments to budgets are limited to substantial change in the forecasted revenues or expenses of Paq'tnkek or in the expenditure priorities of the Council; which may include the following:

(a) external factors that impact funding arrangements such as delay;

(b) impacts related to capital project adjustments;

(c) unforeseen changes to budget assumptions;

(d) Council approved changes to priorities or operating objectives.

**5.24** Proposed amendments to the strategic plan or multi-year financial plan will be brought forward to the next annual planning session.

**5.25** Significant time-sensitive amendments should be brought to the Finance and Audit Committee for review and recommendation to Council.

**5.26** If Paq'tnkek has enacted taxation laws or by-laws, on or before June 15 of each year the Chief Financial Officer must prepare and submit to the Finance and Audit Committee for review a draft amendment of the component of the annual budget respecting Paq'tnkek's local revenue account.

**5.27** On or before June 30 of each year, the Finance and Audit Committee must review the draft amendment of the component of the annual budget respecting Paq'tnkek's local revenue account

**5.28** No later than July 15 of each year, the Council must approve the amendment of the component of the annual budget respecting Paq'tnkek's local revenue account

## 6. References

### FMB's Financial Management System Standards

- (a) Standard 15.0 – Integrated Process
- (b) Standard 16.0 – Financial Plans
- (c) Standard 17.0 – Budgets
- (d) Standard 24.3 – Life-cycle Planning
- (e) Standard 24.4 – Capital Project Plans

### FMB's Financial Administration Law Standards

- (a) Standard 14.0 – Financial Plans
- (b) Standard 15.0 – Budgets

## 1) Financial and Operational Reporting Policy

Financial statements and reports will be prepared on a regular basis in accordance with Canadian Public Sector Accounting Standards. An annual operations report, including the audited annual financial statements, Special Purpose Reports and an assessment of progress towards financial and operational goals of the Paqtnkek, published within 180 days of the fiscal year end and will be provided to Band members, council, and other organizations as required.

## 2) Purpose

The purpose of this policy is to establish financial reporting requirements and practices to facilitate the preparation and reporting of timely, accurate and relevant financial information on which to assess progress toward goals.

## 3) Scope

This policy applies to all of the financial operations and activities of the First Nation including those operations that the First Nation controls. The persons affected by this policy include the

Council, Finance and Audit Committee, Senior Manager, Senior Financial Officer and managers of the First Nation.

#### 4) Definitions

**“Financial Reports List”** means the list of financial statements and reports that are to be prepared on a regular basis.

**“Financial Reporting Risk”** is the possibility of an undetected material misstatement in financial information due to the existence of ineffective Internal Control or fraud resulting from manipulation or alteration of accounting records, misrepresentation or intentional omissions of transactions, or intentional misapplication of accounting principles.

**“Fraud Risk”** is the potential for an employee, agent or other person connected to the financial administration of the First Nation to use deception to dishonestly make a personal gain for oneself or a loss for another. This commonly includes activities such as theft, corruption, embezzlement, or bribery etc.

**“Internal Control”** is a process, effected by Paqtnkek’s Council, Finance and Audit Committee, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of reporting; and
- compliance with applicable laws and regulations.

**“PSAS”** refers to Public Sector Accounting Standards of the Canadian Public Sector Accounting Board, as amended or replaced from time to time.

**“Special Purpose Report”** means the report described in subsection [10](2) of the Financial Administration Law. For the purpose of this policy it refers to the annual report on remuneration, and expenses

#### 5) Responsibilities and Procedures

##### 5.1 Council is responsible for:

- a. Reviewing the financial statements and reports and the Finance and Audit Committee’s corresponding recommendations;



- b. Deciding whether to approve the Financial Reports List, the financial statements and reports; and
- c. Documenting procedures for identification of risks.

**5.2** The Finance and Audit Committee is responsible for:

- a. Determining the Financial Reports List contents and frequency of reporting it requires from the First Nation's management team; and
- b. Reviewing the Financial Reports List, the monthly reports, quarterly and annual financial statements and reports and the Chief Administrative Officer's corresponding recommendations, and making appropriate recommendations to Council.

**5.3** The Director of Administration is responsible for:

- a. Preparing and updating the Financial Reports List;
- b. Reviewing the financial statements and reports and making appropriate recommendations to the Finance and Audit Committee;
- c. Identifying, assessing, monitoring and reporting on Financial Reporting Risks to the Finance and Audit Committee;
- d. Monitoring and reporting on the effectiveness of mitigating controls for the Financial Reporting Risks and Fraud Risks taking into consideration the cost of implementing these controls;
- e. Ensuring that Financial Reporting Risk assessment and management practices have been performed in relation to quarterly and annual financial statements; and
- f. Periodically reviewing these policies in consultation with the Chief Financial Officer and other staff as appropriate and recommending any updates to the Finance and Audit Committee.

**5.4** The Chief Financial Officer is responsible for:

- a. Preparing the financial statements and reports in accordance with PSAS and this policy and procedure;
- b. Assessing and managing Financial Reporting Risk and reporting risks to the Director of Administration;
- c. Developing and recommending procedures for identifying and mitigating Financial Reporting Risks and Fraud Risks and ensuring approved procedures are followed; and

- d. If Paqtnkek has a loan from the First Nations Finance Authority (FNFA) that is secured by other revenues: Maintaining a complete set of all records respecting other revenues of the Mi'kmaw Nation, including all records referred to in section 5 of the *Local Revenue Management Implementation Regulation* as amended by the *Financing Secured by Other Revenues Regulations*.

#### 5.5 Managers are responsible for:

- a. Providing all requested information in relation to the preparation of financial statements and reports and the assessment and management of Financial Reporting Risk.

#### 5.6 Financial Reports List

- a. Council and the Finance and Audit Committee, with the assistance of the Chief Administrative Officer, is responsible for preparing a list of all financial statements and reports that are to be prepared on a regular basis.
- b. The Financial Reports List must include the required monthly information, as well as quarterly and annual financial statements.
- c. Monthly reports prepared by the Chief Financial Officer will be tailored to the needs of Paqtnkek's management team for monitoring purposes in the form and content recommended by the Finance and Audit Committee and approved by Council.
- d. If Paqtnkek has borrowed money from the FNFA secured by other revenues, these other revenues must be accounted for and reported on separately.
- e. For each report or financial statement listed, the following information must also be identified:
  - i. A brief description or contents of the report;
  - ii. The person responsible for its preparation;
  - iii. When it is to be made available and its frequency; and
  - iv. The report's distribution list.
- f. The Finance and Audit Committee will review and update the Financial Reports List quarterly and annually, and submit the list to Council quarterly and annually for their review and recommendation.
- g. Council will review and approve the Financial Reports List quarterly and annually.

#### 5.7 Financial statement preparation

- a. The Chief Financial Officer will prepare monthly information respecting the financial affairs of Paqtnkek and its quarterly and annual financial statements. Other financial reports that are listed in the approved Financial Reports List will be prepared by the person identified as responsible for its preparation.
- b. Each quarterly financial statement will include the following for Paqtnkek and all its related bodies:
  - i. A statement of revenue and expenditures containing a comparison to the approved annual budget;
  - ii. A statement of financial position;
  - iii. Financial institution account reconciliations;
  - iv. Financial information for the local revenue account as required by the Financial Administration Law and any future Local Revenue Law or Policy;
  - v. If the First Nation has borrowed money from the First Nations Finance Authority secured by other revenues: Financial information respecting these other revenues;
  - vi. If a Land Code is in force: Breakdown of revenue by categories contained in the First Nation's land code; and
  - vii. Any other information requested by the Finance and Audit Committee or Council.
- c. Each annual financial statement will include the following for Paqtnkek
  - i. The financial information and disclosures for Paqtnkek for the fiscal year prepared in accordance with PSAS;
  - ii. A Special Purpose Report setting out all payments made to honour guarantees and indemnities;
  - iii. A Special Purpose Report setting out the information required in section 10 of Paqtnkek's Financial Administration Law (Reporting of Remuneration and Expenses);
  - iv. A Special Purpose Report setting out all debts or obligations forgiven by Paqtnkek;
  - v. A Special Purpose Report setting out the information required in paragraph 64(3)(c) of Paqtnkek's Financial Administration Law (Lending program to First Nation members);
  - vi. If the First Nation has a land code in force, a report setting out the moneys of the First Nation derived from First Nation lands, categorized and shown separately from other reserves and that includes a sub-category respecting revenues from natural resources obtained from First Nation Lands;

- vii. Any other report required under the Act or an agreement.
- d. Annual financial statements will be prepared according to a standard “financial closing and reporting process checklist”.
- e. Annual financial statements, the corresponding completed financial closing and reporting process checklist, and the highlights memo (if applicable), will be signed by the Chief Financial Officer and presented to the Finance and Audit Committee along with his / her comment(s) and recommendation(s), no later than 45 days following the end of the fiscal year for which they were prepared.
- f. The Finance and Audit Committee will review the annual financial statements, the accompanying information, and the Chief Financial Officer’s comment(s) and recommendation(s). Subsequently, the Finance and Audit Committee will forward the financial statements, accompanying information, and its comment(s) and recommendation(s) to Council no later than 60 days following the end of the fiscal year for which they were prepared.
- g. Council will review the annual financial statements, the accompanying information, and the recommendation(s) of the Finance and Audit Committee and the Chief Administrative Officer, and make a decision to approve or not approve the annual financial statements.
- h. In the event that the financial statements are not approved by Council, a documented rationale will be communicated to the responsible party(ies) for corrective action. The financial statements will be re-submitted for approval within the timeframe stated by Council.
- i. A “financial reporting record” file will be created for each annual financial statement. The financial statement record file will at a minimum contain the:
  - i. Financial statements presented to Council for approval;
  - ii. Record of, or reference to Council’s decision to approve or not approve the financial statements, the Finance and Audit Committee’s recommendation(s), and the Chief Administrative Officer’s recommendation(s);
  - iii. Completed financial closing and reporting process checklist;
  - iv. Completed highlights memo (if applicable).
- j. The financial reporting record file will be classified as confidential and secure, and maintained according to the Records and Information Management Policy and Procedure. Retention period will be seven years unless otherwise specified by council policy.

## 5.8 Financial Reporting Risks

- a. The Chief Financial Officer will review the financial reporting list to ensure that all identified financial statements and reports have been prepared and submitted for review and approval by the dates specified.
- b. Annually, as part of the evaluation process, the Director of Administration will ensure that the persons engaged in the financial management system:
  - i. Have the necessary knowledge, skills and competence to perform the services for which they have been engaged;
  - ii. Confirm in writing that they understand their responsibilities.
- c. The Chief Financial Officer will develop a “financial closing and reporting process checklist” for use at the end of each accounting period, which will include procedures to mitigate Financial Reporting Risk. The financial closing process checklist will include the following minimum procedures:
  - a) Reconciliation / analysis of all statement of financial position accounts with approval by the Chief Financial Officer. In those instances, where the Chief Financial Officer prepared the reconciliation or analysis, then the Director of Administration will be required to approve the reconciliation or analysis (or alternatively a member of the Finance and Audit Committee);
  - b) Review of trade, loan and other receivable balances to identify late payments. Late payments followed up on and have been reviewed for collectability. Any necessary adjustment to the allowance for doubtful accounts has been prepared;
  - c) Reconciliation of general ledger balances with sub-ledger balances (e.g. trade accounts receivable, trade accounts payable, contribution receivable, etc.);
  - d) Search for unrecorded liabilities and preparation of accrual journal entries, including:
    - a) Reconciliation of supplier statements;
    - b) Review of unmatched receiving information;
    - c) Review of unmatched purchase orders;
    - d) Review of numerical continuity of purchase orders;
    - e) Review of current contracts for supplies or services, including follow-up with supplier when necessary;
    - f) Enquiries of departmental managers for any invoices, expense reports, commitments or any other knowledge of liabilities incurred at reporting date.
  - e) Analysis of revenue and expense accounts for budgetary variances and for reasonability. Where necessary, an account analysis will be prepared.
  - f) Reconciliation of payroll expense to the payroll register and bank account balance.
  - g) Preparation of non-recurring journal entries and journal entries not in the ordinary course of business, with supporting documentation.

- h) Approval of material non-recurring journal entries and journal entries that are not in the ordinary course of business by Finance and Audit Committee.
- i) Recurring journal entries have been prepared, approved by the Chief Financial Officer, and recorded.
- j) The financial statements have been reviewed for accuracy, additions, and cross-references. The financial statements agree with the general ledger.
- k) The presentation of the financial statements has been reviewed. Necessary disclosures and reclassification entries have been prepared and have been approved by the Senior Financial Officer.
- l) Draft departmental financial statements have been provided to managers for their review, comment and budgetary variance explanations. Any issues or questions have been resolved.
- m) The Chief Financial Officer is satisfied that the financial statements are accurate and presented in accordance with PSAS.
  - d. The Chief Financial Officer will prepare a highlights memo for each set of quarterly and/or annual financial statements prepared. The highlights memo will, at a minimum, report
    - i. Financial Performance, specifically:
      - a) An assessment of the overall financial situation for Paqtnkek (i.e. surplus, deficit, adequate reserves, etc.);
      - b) A review of progress towards financial and operational goals set during the planning process;
      - c) Identification and explanation of material budgetary variances;
      - d) Current ratio and any ratios required to be maintained by contract (e.g. financial covenants contained in borrowing agreements);
      - e) Doubtful accounts receivable, with changes since last quarter summarized;
      - f) Payment status of statutory and contractual obligations. Specifically, a listing of all late payments with explanations;
      - g) Remediation options where financial performance is not in accordance with plans.
    - ii. Exceptions to expected financial and system performance. Specifically:
      - a) Unanticipated problems preparing the financial statements and the resolution;
      - b) Unusual or unexpected accounting balances or transactions;

- c) Accounting entries not in the ordinary course of business;
  - d) Explanation of transactions where measurement or accounting treatment was uncertain or where there were choices under PSAS;
  - e) Weaknesses in, and, suggestions to improve, the financial management system;
  - f) Instances of financial administration law or system non-compliance, fraud and / or unauthorized activities.
- iii. Forecast to end of year. Specifically:
- a) Forecast of annual operations and budgetary performance, and annual cash flow and expected cash surplus or financing requirement;
  - b) Statement of assumptions used in the budget process and any changes in assumptions that affect the budget;
  - c) Identification of emerging financial performance risks and opportunities;
  - d) Remediation options where forecast financial performance is not in accordance with plans.
- e. Changes to the accounting software (i.e. new system or major changes to the current system set-up) require authorization from the Chief Financial Officer and consultation and communication with the Finance and Audit Committee and Council. Changes such as the addition/deletion/ modification of general ledger accounts, customer/member accounts, or vendor accounts require approval from the Chief Financial Officer or designate.

## **5.9 Fiscal year**

- a. The fiscal year for Paqtnkek will be the period beginning on April 1 and ending on March 31 of the following year.

## **5.10 Annual Report**

- a. The Council must prepare and publish an annual report within the earlier of 180 days after the fiscal year end, or the timeline specified in Paqtnkek's Financial Administration Law, that details the progress towards the financial and operational goals of Paqtnkek over the course of the fiscal year.
- b. The annual report will contain, at a minimum, the following:
  - i. A description of the services provided by Paqtnkek and its operations;
  - ii. A review of Paqtnkek's achievement towards its values, goals and objectives;
  - iii. A progress report on any established financial objectives and performance measures of Paqtnkek;

- iv. The audited annual financial statements for the previous fiscal year including any Special Purpose Reports.
- c. The annual report will be made available to all members of Paqtnkek as required by Paqtnkek's Financial Administration Law, and provided to all Council members, the First Nations Financial Management Board, the First Nations Finance Authority, and other organizations as required no later than 180 days after the fiscal year end.
- d. The Council must ensure that a remedy process is available to Paqtnkek members who have requested but have not been provided with the annual report of Paqtnkek within the required timeframe.

## **6) References and Related Authorities**

### (1) FMB's Financial Management System Standards

- a. Standard 14.0 - Fiscal Year
- b. Standard 19.6 - Financial Reporting Risks
- c. Standard 20.0 - Financial Reporting
- d. Standard 22.0 Annual Report

### (2) FMB's Financial Administration Law Standards

- a. Standard 18.0 - Financial Reporting
- b. Standard 20.0 - Annual Report

## **7) Attachments**

None



## 1. Financial Institution Account and Cash Management Policy

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

## 2. Purpose

The purpose of this policy is to specify authorities and responsibilities over banking activities including signing and approval authorities, opening and closing of accounts, processing transactions, borrowing funds. It is also to ensure that all financial institution accounts be operated solely for the identified purposes and by properly authorized persons, be reconciled in a timely manner, be independently reviewed and approved, be properly recorded in the book of accounts, be reported in the First Nation's financial statements, and that records be maintained of all financial institution transactions.

## 3. Scope

This policy applies to Council, the Director of Administration, the Chief Financial Officer and any other Paq'tnkek employee who has been assigned financial institution account responsibilities.

## 4. Definitions

**"Finance Employees"** The employees reporting to the Chief Financial Officer who are responsible for the day-to-day financial administration of Paq'tnkek.

**"Property Tax Account"** means the segregated financial institution account created for the receipt of local revenues, also referred to as property tax revenues.

## 5. Responsibilities and Procedure

- Council is responsible for:
  - a) approving the addition or the removal of authorized signatories for each financial institution account used by the First Nation;
  - b) designating the Financial Institutions that the First Nation may conduct banking activities with;
  - c) approving the establishment of an operating line of credit or overdraft account.

- The Chief Financial Officer is responsible for
  - making recommendations to Council on the most advantageous terms and conditions offered by financial institutions,
  - ensuring the safekeeping of all money received by Paq'tnkek,
  - ensuring all money received by Paq'tnkek is deposited as soon as practicable into the appropriate accounts,
  - assigning banking duties to employees and ensuring that adequate segregation of duties is maintained,
  - providing oversight and monitoring of the deposit process,
  - ensuring cash is kept in a locked safe prior to deposit,
  - performing an independent review of each account reconciliation and acknowledging the same by signing and dating the reconciliation,
  - ensuring that a monthly reconciliation is performed by the 15<sup>th</sup> of the following month for every financial institution account except for social assistance which is reconciled by the 20<sup>th</sup> of the following month,
  - developing a clear description of the purpose of each financial institution account and providing this information to all finance employees who are responsible for depositing funds or recording revenue into the accounting system; and
  - documenting and alerting the Finance and Audit Committee of any material irregularities in the reconciliation process.
- Finance employees are responsible for
  - recording revenue deposited in the accounting system; and
  - ensuring all anticipated recurring deposits have been received. Finance employees will alert the Chief Financial Officer when expected receipts have not been received.
- Finance employees authorized by the Chief Financial Officer to prepare financial institution reconciliations are responsible for
  - preparing a reconciliation for each of the Paq'tnkek's financial institution accounts,
  - ensuring that supporting documentation and records are retained for each reconciliation; and
  - alerting the Chief Financial Officer of any irregularities.
- The Finance and Audit Committee is responsible for ensuring an investigation takes place of any material irregularities from the reconciliation process are brought to their attention by the Chief Financial Officer or any other employee.

- **Accounts**

- 5.6.1 The Chief Financial Officer will develop a clear description of the purpose of each financial institution account and provide it to all employees who are responsible for depositing funds or recording revenue into the accounting system.
- 5.6.2 A property taxation account will be created to manage property tax revenues separately from the other sources of revenue or funding of the Paq'tnkek when Paq'tnkek enacts its own taxation laws or by-laws.

## **5.7 Cash**

- 5.7.1 Cash received will be recorded electronically in the Band's accounting software or in a triplicate receipt book. Each receipt shall be numbered. One copy will be provided to the organization/individual submitting the cash, and the other copy will be maintained for the Paq'tnkek's records and the third will be provided to the Finance Department with the cash. The receipt will indicate the amount, source, date, and reason for payment.
- 5.7.2 Cash will be deposited once the total amount received reaches \$1,000.00 or on a weekly basis, whichever occurs first.
- 5.7.3 All cash received should be securely stored in a safe or a locked cabinet until it is brought to the financial institution for deposit. Access to the safe or locked cabinet should be limited to the authorized employee who will not be the employee who is receiving or recording the cash.

## **5.8 Cheques**

- 5.8.1 All cheques received will be recorded in a log to track receipt. The log will include the date, source amount and reason for payment.
- 5.8.2 Cheques received by direct mail will be recorded in a receipt log and endorsed (stamped) as "for deposit only" by a designated person. The log will include the date, source amount and reason for payment.
- 5.8.3 All cheques will be deposited at the appropriate financial institution on a weekly basis, at a minimum.

## **5.9 Recording of Deposits**

- 5.9.1 To maintain proper segregation of duties, the employee who receives cash or cheques on behalf of Paq'tnkek will not be the same employee who records and accounts for revenue and accounts receivable in the accounting system and who approves bank reconciliations.
- 5.9.2 A record of anticipated ongoing deposits will be maintained and reviewed on a monthly basis. Any deposits that have not been received in the financial institution account(s) as expected will be reported to the Chief Financial Officer immediately.
- 5.9.3 The receipt book should be reviewed and reconciled to the deposits by the Finance Department

## **5.10 Financial Institute Account Management**

- 5.10.1. Approval of the Director of Administration or Chief Financial Officer is required to open a Paq'tnkek bank account.
- 5.10.2. Approval of the Director of Administration or Chief Financial Officer is required to close a Paq'tnkek bank account.
- 5.10.3. A segregated property taxation account will be opened and maintained if and when Paq'tnkek enacts taxation laws or by-laws. Only property taxation revenues can be deposited in this account.
- 5.10.4. The Chief Financial Officer is the main point of contact for all interactions with financial institutions. Arrangements will be made with the financial institution to ensure that all account statements, copies of deposited cheques or inquiries are sent to the Chief Financial Officer or an assigned employee. The employee preparing account reconciliations will not be given this assigned responsibility.
- 5.10.5. The Chief Financial Officer will develop a clear description of the purpose of each financial institution account and provide it to all employees who are responsible for depositing funds or reconciling the accounts.
- 5.10.6. The list of individuals with authorized signing authorities for each financial institution account will be maintained by the Director of Administration. All changes to signing authorities must be approved by Council.
- 5.10.7. Individuals on the authorized signing authorities list for each financial institution account will be set out in the Delegated and Assigned Responsibilities Policy.
- 5.10.8. The financial institution accounts will be created such that all non-deposit transactions (such as cheques, electronic transfers, etc.), with the exception of internal transfers

between Band accounts, require two signatures for approval according to the Delegated and Assigned Responsibilities Policy.

5.10.9. Trust accounts will be operated in accordance with the terms of the trust.

5.10.10. Online financial institution access will be permitted and controlled as follows;

- the employee performing account reconciliations will be granted read-only access to the account he/she has been assigned to reconcile; and
- only employees with delegated authority will be provided online banking access to perform transactions.

Two employees will be required to approve each transaction that is not an internal transfer between Band accounts.

5.10.11. A current list of financial institution accounts and their purpose must be maintained by the Chief Financial Officer.

## **5.11 Cheque Stock**

5.11.1 Payee, amount and requisition for payment with recorded authorization to pay must be presented before any of the authorized signatories can sign the cheque. No cheques will be signed if blank.

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

## **5.12 Reconciliation**

5.12.1 Each of Paqtnkek's financial institution accounts will be reconciled to the accounting system records on a monthly basis within [10] business days of the end of the month.

5.12.2 Reconciliation records will be retained. Documentation to support the amounts recorded on the reconciliation, such as accounting system general ledger reports, financial institution statements, outstanding cheque reports, etc., will be included in the reconciliation file.

5.12.3 The employee preparing the financial institution account reconciliation will monitor and investigate adjustments that carry over from month to month

- outstanding cheques will be monitored and any cheques outstanding for more than six months will be investigated with the accounts payable clerk to determine whether the cheque remains valid or if it should be stale-dated,

- in transit deposits will be investigated immediately if not cleared by the financial institution within one week,
- other adjustments that are routine in nature will be entered in the financial system through the journal entry process; and
- unusual, or unresolved entries that carry over for more than one month, will be reported to the Chief Financial Officer.
- An independent review must be undertaken by an employee or external person who does not report to the employee who prepared the financial institution account reconciliation.
- To the purposes of independence in the bank reconciliation process, this means an individual that does not work in Paqtnkek's Finance Department, and does not have authority to approve expenses and spending.

The finance employees preparing the reconciliation will sign it as evidence that the reconciliation is complete and that they have carried out their duties as described in this policy.

### **5.13 Independent Review**

5.13.1 The Chief Financial Officer will review and approve each financial institution account's reconciliation for completeness, timeliness and accuracy. The Chief Financial Officer will review to ensure the following;

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

5.13.2 The Chief Financial Officer performing the independent review will sign and date the reconciliation to indicate that they have carried out their duties as described in this policy.

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

### **5.14 Irregularities**

Irregularities, such as reconciliations that do not balance or unusual adjustments, will be reported by the Chief Financial Officer to the Director of Administration and the Finance and Audit Committee as soon as practicable.

## **6. Sobey's Charge Account**

6.1 Five Sobey's charge accounts have been established for the following departments:

- (a) Social;
- (b) Education;
- (c) Health;
- (d) Administration; and,
- (e) VLT.

6.2 The purpose of the Sobey's charge account is to create a method for payment for grocery items when payment by cheque is not practical or possible.

6.3 The Sobey's charge accounts will be managed as follows:

- (a) the creation of any new charge accounts must be approved by Council;
- (b) the Program Director responsible for the security of their program's Sobey's charge account will create a purchase order for all purchase prior to charging any items to the account;
- (c) the purchase order will contain a maximum authorized limit for purchase and a general description of the items to be purchased;
- (d) the employee responsible for picking up the items identified on the purchase order is responsible for providing a receipt to the Program Director;
- (e) the employee responsible for picking up the items must use Paq'tnkek's air miles number when making a purchase on behalf of Paq'tnkek;
- (f) the Program Director must fill in a requisition for payment attaching the Sobey's receipt and purchase order and provide this to the Finance Department;
- (g) Sobey's charge account reconciliations will occur monthly;
- (h) accounts payable will pay the departmental Sobey's charge account only when complete documentation is received.

## **7. References and Related Authorities**

Financial Management Board's Financial Management System Standards

- Standard 18.1 – Financial Institution Accounts
- Standard 18.2 – Account Deposits
- Standard 18.3 – Financial Institution Account Reconciliation

Financial Management Board's Financial Administration Law Standards

- Standard 16.1 – Funds and Revenues
- Standard 16.2 – Expenditures

## **8. Attachments**

None.



## 1. Procurement Policy

- 1.1 The procurement of goods, services and assets will be conducted with sufficient due diligence to demonstrate transparency, fairness, quality, and value for money in meeting the Paq'tnkek Mi'kmaw Nation's ("**Paq'tnkek**") requirements.

## 2. Purpose

- 2.1 The purpose of this policy is to provide guidance to Paq'tnkek on how purchases will be planned, managed, approved and paid.

## 3. Scope

- 3.1 This policy applies to the Council, Director of Administration and any other Paq'tnkek employees involved in purchasing goods, services and assets on behalf of the Paq'tnkek.

## 4. Definitions

- 4.1 In this Policy:

**"Assets"** include tangible capital assets such as equipment, buildings and land that have been purchased or constructed by Paq'tnkek.

**"Best Value"** refers to the optimal combinations of experience, knowledge, expertise, geographic location, performance, quality, time, initial costs, operation and maintenance, cost, life cycle costs, service, performance characteristics, spare parts availability, warranties and guarantees etc.

**"Fairness"** refers to giving qualified firms and individuals an equal opportunity to compete for the contract work; and to evaluating tenders and proposals in accordance with accepted

practices.

**“Invited tender”** refers to a tender that is distributed to a certain number of contractors who are invited to bid on a specific project. Industry standards indicate that at least three contractors should be invited to ensure that the process is fair and there is sufficient competition.

**“Open or public tender”** is the process by which tenders are advertised publicly. Open tenders should allow any qualified potential bidders the opportunity to bid on a project.

**“Purchase Order”** refers to a purchase order used by Paq’tnkek when documenting expenditures.

**“RFP”** stands for Request for Proposal, which is the process generally followed before awarding a major service contract. RFPs identify the need and leave it up to the prospective contractors to make a proposal that is appropriate.

**“Sole Source”** means a person or company from whom Paq’tnkek may purchase goods and/or services.

**“Tender process”** refers to the process where documents outlining the requirements and specifications of a project are put in the hands of prospective contractors or suppliers interested in submitting bids.

## 5. Responsibilities and Procedures

**5.1.1** Council is responsible for ensuring effective control of procurement of goods, services and assets through documented policies and procedures.

**5.2** The Director of Administration is responsible for:

- (a) ensuring the procurement process is fair, open, and demonstrates accountability to obtain the best value for time, money and budget; and
- (b) communicating the policies and procedures to all parties who are affected.

**5.3** The Chief Financial Officer is responsible for:

- (a) developing, documenting and maintaining policies and procedures relating to the procurement process for goods, services, and assets;
- (b) assisting in the selection, evaluation, and monitoring of contractors and suppliers;
- (c) managing and monitoring expenditures and identifying and reporting on budget variances; and
- (d) ensuring that procurement staff receives appropriate guidance and assistance in the performance of their duties.

***Procurement of low value items goods and services exceeding departmental budgets***

- 5.4 Goods and services under the 'low' value threshold can be procured by the individuals noted in Appendix C for each threshold of value.
- 5.5 The responsible employee noted in Appendix C will ensure that the goods or service selected is the best value for Paq'tnkek.
- 5.6 The responsible employee noted in Appendix C will sign the invoice indicating that the goods or services have been received under the terms in the agreement between Paq'tnkek and the vendor.

***Procurement of moderate value goods and services exceeding departmental budgets***

- 5.7 The responsible employee noted in Appendix c will perform a documented analysis of the costs and benefits of at least three options to procure the good or service.
- 5.8 Where practical, informal quotes will be obtained through advertisements, direct solicitations to contractors/suppliers and other methods in an effort to compare prices and select the best option for Paq'tnkek.
- 5.9 When appropriate, Paq'tnkek will promote the use of local suppliers in the procurement of goods and services in accordance with Appendix E.

***Procurement of high value goods and services exceeding departmental budgets***

- 5.10 Goods and services classified as high value according to Appendix C ill be procured using a competitive tendering process.
- 5.11 When appropriate, Paq'tnkek will promote the use of local suppliers in the procurement of goods and services in accordance with Appendix E
- 5.12 Under a competitive tendering process, Paq'tnkek must use either an invited tender or an open tender to award a contract.
- 5.13 For each tendering process a RFP will be issued and will include the following components:
  - (a) date by which proposals are due;
  - (b) background requirements (e.g., context, challenges);
  - (c) specific requirements of the proposal including any requirements set out in Council policy for the management of capital projects (e.g. course of construction insurance, performance guarantees and bonding);
  - (d) qualifications of the ideal supplier (e.g. track record, experience, integrated services);
  - (e) criteria and weighting (if applicable) by which proposals will be assessed;
  - (f) planned contract award date;

- (g) process for entertaining questions regarding the RFP and sharing responses with other potential suppliers;
  - (h) written disclaimer stating that Paq'tnkek has the right to pick any proposal or none; and
  - (i) a checklist of other special terms and conditions (e.g., maximum price expected, delivery dates or constraints) that would be critical for an organization to build into their response to meet the needs of Paq'tnkek.
- 5.14** The Director of Administration, a representative from Council, and any required staff possessing relevant expertise will form a review panel and review the proposals received against the RFP. The review panel will provide Council with a recommended course of action.
- 5.15** To maintain consistency in the procurement process, a standard methodology will be used to evaluate each contractor/supplier such as but not limited to what is provided in (Appendix D). The methodology will include, at a minimum, an evaluation of:
- (a) how the contractor/supplier meets the RFP or tender requirements and specifications;
  - (b) the contractor/supplier's qualifications;
  - (c) the price quoted; and
  - (d) results and quality of all work the contractor/supplier has previously done for Paq'tnkek.
- 5.16** Other requirements will be added to the methodology as deemed necessary by the Director of Administration.
- 5.17** Normally a RFP process will be followed to procure goods and services. Exceptions to this process (i.e. granting a sole source contract, non-competitive contract award) will be rare and limited to the following situations:
- (a) if there were no bids received during the tender call or RFP process;
  - (b) when the good or service is available only through a sole source; and
  - (c) in an emergency situation where a delay in procuring the good or service would result in severe loss or damage to Paq'tnkek.
- 5.18** Any exceptions to the procurement process will be documented to demonstrate the rationale and approval of a non-standard procurement process.

***Approval, initiation and monitoring***

- 5.19** Approval of procurement decisions should be documented on the relevant purchasing document (i.e. requisition, purchase order, or contract, depending on the nature of the procurement activity).

- 5.20** On a monthly basis, the Chief Financial Officer will review the status of procurement commitments, noting and investigating any over budget commitments. Procurement activities over budget will be reported to the Director of Administration.
- 5.21** At each Finance and Audit Committee meeting the Director of Administration or their designate will report on the status of any capital projects, including a comparison of expenditures to date with the project budget and a detailed description of any identified legal, financial, technical, scheduling or other problems and the manner in which it has been or will be addressed.

#### ***Documentation requirements***

- 5.22** All procurement documents (including but not limited to requisitions, invoices, purchase orders, request for proposals or tender calls) will clearly indicate the details of the goods and services requested.
- 5.24** Approvals, departmental budgets, and accounts from the goods or services may or must be purchased from, will be identified on procurement documents.
- 5.25** A file will be created for each RFP/Tendering process that contains the results of each supplier evaluation.

#### ***Monitoring of Contractors/Suppliers***

- 5.26** On an ongoing basis, the Director of Administration will monitor the quality of the work and the working relationship with the contractor/supplier. Any issues noted will be documented in the contractor/supplier file and resolved by the Director of Administration.
- 5.27** Performance evaluation should be tailored to job size and complexity. A review of both the project quality and the service quality should be conducted using a standard set of criteria and applying weight factors established at the time of award. Any adjustments to the criteria weighting should not be made without the contractor/supplier's knowledge.

#### ***Encouraging new contractors/suppliers***

- 5.28** Contracts will be reviewed on an annual basis (or other timeframe as deemed appropriate by the Director of Administration for the nature and complexity of the goods/services in question) and a request for other contractors/suppliers may be initiated.

## **6. References**

FMB's Financial Management System Standards

- (a) Standard 18.6 Procurement
- (b) Standard 18.7 Procurement of suppliers
- (c) Standard 24.5 Contract and tendering requirements

## FMB's Financial Administration Law Standards

- (a) Standard 8.3 Policies, Procedures and Directions
- (b) Standard 16.2.1 Expenditure Controls
- (c) Standard 22.5 Contracts and tendering provisions

## 7. Attachments

**Appendix A** – Purchasing Approval Limits

**Appendix B** – Contractor/Supplier Evaluation Template

**Appendix C** – Local Content

## 1. Expenditures Policy

Expenditures paid to suppliers or reimbursed to Councillors and Paqtnkek employees will be in support of valid Paqtnkek activities, duly authorized, accurately recorded in the financial system and sufficiently supported through original documentation.

## 2. Purpose

The purpose of the policy is to ensure that all expenditures from Paqtnkek's funds are in support of valid Paqtnkek programs and activities and that processing of payments are subject to proper approvals and budgetary controls.

## 3. Scope

This policy and procedure applies to the Council, committees of Council, officers, employees of Paqtnkek and any other persons conducting activities in connection with the Financial Administration of Paqtnkek.

## 4. Definitions

**“Approved Travel Status”** Travel on official Paqtnkek business that has been pre-approved by an individual's immediate supervisor. Approved Travel Status begins once the individual leaves their place of residence for the approved destination and ends once they return to their place of residence or their regular place of employment (e.g. the Paqtnkek office).

**“Requisition”** refers to a purchase order used by Paqtnkek when documenting expenditures.

## 5. Responsibilities and Procedures

- 5.1** The individuals listed in the Delegation Table from the Delegated/Assigned Responsibilities Policy are responsible for:
- a. Before approving an expenditure, ensuring that it is permitted under the current Paqtnkek annual budget and as required in the Financial Administration Law;
  - b. Reviewing reimbursable expenditure claims to ensure that the requirements of this policy have been met before approving for payment; and
  - c. Approving expenditures per the Delegated/Assigned Responsibilities Policy.
- 5.2** The employees assigned responsibility for paying accounts will:
- a. Ensure that all expenditures have the required approvals per this policy and the Delegated/ Assigned Responsibilities Policy before processing for payment; and
  - b. Ensure that all required documentation accompanies each payment and is retained in Paqtnkek's financial records in accordance with the Information Management Policy.
- 5.3** Employees, committees and council members are responsible for:
- a. Ensuring that all reimbursable expenditures claimed are in accordance with this policy;
  - b. Preparing a reimbursable expenditures claim that includes all required documentation; and
  - c. Seeking approval from the Director of Administration for items that are not addressed in this policy before proceeding.
- 5.4** The Director of Administration is responsible for:
- a. Providing pre-approvals for planned expenditures that have not been specifically addressed in this policy but that he/she deems to meet the intent of the policy and as are permitted in Paqtnkek's Financial Administration Law; and
  - b. Approving expenditures for emergency purpose that was not anticipated in the budget if the expenditure is not expressly prohibited by or under Paqtnkek's Financial Administration Law or another Paqtnkek Mi'kmaw Nation law.
- 5.5** General and Operational Expenditures
- a. All purchases of goods or services will be made in accordance with the Procurement Policy and procedure and the Delegated/Assigned Responsibilities policy and procedure.
  - b. In emergency situations, the Director of Administration may approve the purchase of goods or services that were not anticipated in the budget and are not procured in accordance with the Procurement Policy and procedure and the Delegated/Assigned Responsibilities policy and procedure. The rationale for the purchases must be documented by the Director of Administration and the purchases must be reported immediately to the Finance and Audit Committee and to Council. If possible, the payment of the purchases should be in accordance with the Procurement Policy and procedure and the Delegated/Assigned Responsibilities Policy and procedure.
  - c. Receiving documents will be reviewed and initialed by the individual receiving the goods that all goods on the document have in fact been received in satisfactory condition, and that any goods not received are clearly identified as such. The receiving documentation should be forwarded with the Requisition for payment to the employee responsible for accounts payable.

- d. If goods are received without receiving documents, the employee receiving those goods is to create a receiving slip noting what goods were received, date of receipt, delivery agent, Paqntkek contact person (normally the person who initiated the expenditure), and the supplier. The receiving document will be initialed by the delivery agent and the employee receiving the goods, and then forwarded with the Requisition for payment to the employee responsible for accounts payable.
- e. All requests for payments for performance of work or services or supply of good must be initiated through a Requisition for payment that includes a statement certifying that:
  - i. the work or services have been performed or the goods supplied, any conditions in an agreement respecting the work, services or goods have been met and the price charged or amount to be paid is in accordance with an agreement or, if not specified by an agreement, is reasonable; or
  - ii. if payment is to be made before completion of the work or services, delivery of the goods or satisfaction of any conditions in an agreement, the payment is in accordance with the agreement.
- f. All Requisitions for payment must identified the appropriate or trust account out of which payment is to be made and must include a statement certifying that the expenditure is not prohibited and that it is
  - i. in accordance with the appropriation identified in the certified statement; or
  - ii. allowed without the authority of an appropriation under Paqntkek's Financial Administration Law.

## 5.6 Payroll

- a. Employee payroll will be paid on a bi-weekly basis.
- b. Hourly employees will record their time daily and submit timesheets on a weekly basis to their immediate supervisor for review. Both the employee and supervisor will sign and date the time sheet to demonstrate its accuracy and approval for payment.
- c. Supervisors of salaried employees will submit any adjustments for vacation, sick or other types of leave to the individual responsible for payroll.
- d. Based on the weekly timesheets for hourly employees and any adjustments required from the salaried employees, a payroll authorization sheet will be created listing all payment amounts and deductions for the previous two-week period. The payroll authorization report will then be authorized (through signature and date) by the Chief Financial Officer.
- e. Payroll reconciliations will be performed by an individual independent of the payroll process on a monthly basis. The reconciliation will compare the payroll authorization report, input instructions to the payroll service provider, financial institution account statement and the general ledger payroll accounts. Any irregularities will be reported to the Director of Administration.
- f. Employees must be classified in one of the following categories:
  - Salary (i.e. Chief, fulltime staff, some contract)
  - Hourly
  - Casual (as needed)
  - Piece work (i.e. contractors, substitute teachers)



- g. The Program Directors shall forward sign time sheets for their department to the Chief Financial Officer or designate by 4 pm on Mondays, prior to Tuesday's payroll cheque run.
- h. The Director of Operations must approve time sheets for Program Directors and submit to the Chief Financial Officer or designate by 4 pm on Mondays prior to Tuesday's payroll cheque run.
- i. It is the responsibility of the Administrative Assistant to verify all time sheets for mathematical accuracy and to track staff attendance.
- j. The Chief Financial Officer shall produce a spreadsheet indicating employee's salary rate, hours worked in the period and additional comments as required (i.e. advances deducted).
- k. The Chief Financial Officer or designate compares manual worksheets to time sheets and attaches all supporting documentation to the spreadsheet. The Finance Controller enters employee information from the manual worksheet into Simply Accounting. Upon completion of the data entry, the payroll report which includes both salary and hourly employees is printed. The Chief Financial Officer shall compare hours entered to that of the prepared manual worksheet. Deductions shall be scrutinized for accuracy.
- l. The Chief Financial Officer shall initial the report indicating accuracy of information and forward the report with supporting documentation to the Director of Operations.
- m. The accounting records used in the pay system should include the following:
  - Pay cheque including a stub showing the pay period, gross pay, payroll deductions total deductions and net pay.
  - Payroll journal containing the same information as the pay stub.
- n. The payroll records will be filed by the Finance Controller.

#### **5.7 Reimbursable Expenditures**

- a. Employees will clearly demonstrate and document that all amounts they are claiming for reimbursement were directly related to authorized activities performed on behalf of Paqtnkek.
- b. Expenses reimbursed by hosts or other third party funding arrangements must not be claimed. Declaration of such third party reimbursements must be made in accordance with the Paqtnkek's Conflict of Interest policy.
- c. Travel authorization: Prior to travel, employees will submit a request to their immediate supervisor stating the purpose, dates, and estimated costs for the proposed travel. The immediate supervisor will review it to ensure the proposed travel is in support of official Paqtnkek business and that there is sufficient budget available. Only travel approved in advance will be funded or reimbursed.

- d. An employee is deemed to be on official “travel status” for an approved trip for the period when an employee departs their residence or office until he or she returns to their residence or office.
- e. Travel expenditures eligible for reimbursement include:

**Transport**

- i. Transportation must be selected in a manner which ensures the most economical method of transportation is used, taking into consideration the purpose and urgency of the trip. If possible, return tickets, reduced fares, and special rates are to be utilized. For each type of travel, the lowest price alternative will be purchased.
- ii. The standard class for rail or air travel will be economy or the equivalent.
- iii. The standard car rental vehicle class will be compact size. Insurance, including Collision damage must be purchased when renting a vehicle. Gas purchases and full vehicle insurance will be reimbursed for rental cars when accompanied with a receipt.
- iv. Business class travel will be permitted only in exceptional circumstances and must be authorized by the Director of Administration before booking. If travel is for the Director of Administration, the Chair of the Finance and Audit Committee must authorize business class travel. In each case, the pre-authorization will be attached to the reimbursable expense claim for payment.

**Private Vehicles**

- v. Private vehicle mileage will be reimbursed at the current Confederacy of Mainland Mi'kmaq rate. All other non-business related vehicle costs are the responsibility of the individual.
- vi. Individuals using a private vehicle for work related travel must ensure that an adequate level of personal vehicle insurance is maintained. A minimum of \$1,000,000 third party liability coverage is recommended. Paqtnkek will not be held responsible for any claims, accidents or damage to a private vehicle.

**Hotels**

- vii. The lowest cost hotel option will be selected. The standard for accommodation is a single room, in a safe environment, conveniently located and comfortably equipped.
- viii. Incidentals or reimbursement for accommodation fees will not be paid or reimbursed if the employee is stays at a private accommodation.

**Per Diems and Incidentals**

- ix. The per diem maximum daily rate will be specified in accordance with the Confederacy of Mainland Mi'kmaq (CMM) current rates. The per diem will be reimbursed for each day on Approved Travel Status on behalf of Paqtnkek to cover meal expenses and incidentals. Per diems are claimed or calculated according to the following table:

Breakfast	CMM rate
Lunch	CMM rate

Dinner	CMM rate
Incidentals	CMM rate

- x. Meals will only be reimbursed for those incurred during Approved Travel Status:
  - i. Breakfast may be claimed when the employee is required to leave their normal work location prior to 7:00 am. On the day of return, the traveler must return after 7:00 am.
  - ii. Lunch may be claimed when the employee is required to work away from their normal work location during the lunch hour and lunch is not provided for them by another party.
  - iii. An employee who remains at their normal work location and voluntarily works through their lunch may not claim for lunch allowance.
  - iv. Dinner may be claimed when the employee is unable to return to their normal work location prior to 6:00 pm.
  - v. Dinner may be claimed when the employee leaves for a trip from their normal work location prior to 6:00 pm. Pre-planned evening activities at the employee's normal work location is considered regular program activities and a dinner allowance will not be provided.
- xi. If a meal is provided as official hospitality from another individual/ organization in the course of their duties on Approved Travel Status, a meal allowance will not be claimed by the individual on travel status.
- xii. Incidentals can only be claimed for each night away on travel status. Part days on travel status will not be eligible for incidentals.
- xiii. The purpose of the daily 'incidentals' amount is to cover general expenses during official travel. This amount covers items such as: dry cleaning, tips, personal phone calls, and other personal expenses incurred while on travel status.
- xiv. Receipts are not required for meals when per diems are claimed or for items that fall under the incidental category as noted above in statement xi.

**Other Travel Expenses**

- xv. Other travel and business related expenses that are directly attributable to travelling or business on Paqtnkek's behalf will be reimbursed, including internet access, business long-distance phone calls, parking, airport taxes, tolls, taxi fares, and public transit fares. Any other travel or business related expense will only be reimbursed with the approval of the claimant's immediate supervisor (for the Director of Administration , a member of Council will approve, for Council members, the Chair of the Finance and Audit Committee will approve).

**Summary of Eligible and Ineligible Reimbursable Travel Expenses:**

- xvi. Receipts shall be required for the following (but not limited to):
  - Road tolls;
  - Parking fees;
  - Commercial rental of vehicles, fuel and collisions damage insurance;
  - Flight Cancellation Insurance;
  - Registration and Conference Fees;
  - Resource material purchased while at conference which has been pre-approved;

- Ferries;
  - Rail Transportation.
- xvii. The following expenses are deemed ineligible for reimbursement:
- In-room movies, mini-bars and excursions at a hotel;
  - Personal long distance telephone calls;
  - Lost luggage;
  - Lost or stolen personal items;
  - Additional cost for family members or others beyond the single room rate;
  - Parking and traffic fines;
  - Repair to privately owned vehicle;
  - Childcare;
  - House or pet sitting;
  - Spouse or dependent travel expenses;
  - Laundry or dry cleaning;
  - Costs resulting from failure to cancel reservation.

Other expenses may not be reimbursable at the discretion of the employee's supervisor.

#### **5.8 Meals and Entertainment (Hospitality)**

- 1) Hospitality budgets will be set at the beginning of the fiscal year through the integrated planning process. The only individuals that are entitled to a hospitality budget are the following: The Councillors, Director of Administration , and individuals directly reporting to the Director of Administration .
- 2) Pre-approval will be obtained for any meals/expenses that are not within an individual's hospitality budget.
- 3) For meals and entertainment expenses, the individual requesting reimbursement must clearly document the purpose of the meal/event, objectives, and individuals (name, position, organization) that are in attendance. Documentation may be on the receipt(s) or in a memo attached to the expense report.
- 4) Hospitality funds are available for official Paqtnkek business only. Restrictions on hospitality fund usage include:
  - i. Family members must not benefit from hospitality funding;
  - ii. Gifts cannot be purchased using hospitality funds. However, small tokens of a nominal value (Under \$50) may be given to key contacts;
  - iii. Alcohol must not be purchased using hospitality funds.
- 5) Hospitality expenses must include original supporting documentation demonstrating the goods or service received (original itemized receipts or invoices) and proof of payment.

#### **5.9 Memberships**

- a. Memberships in professional organizations that are required for an individual's position or are meeting a demonstrated need of Paqtnkek will be reimbursed provided that the appropriate immediate supervisor has approved each membership.
- b. For other expenditures not listed in this policy, pre-approval is necessary from the Director of Administration before initiating the expenditure and submitting a reimbursement claim.

## 5.10 Other

- a. For reimbursable expenditures related to Paqtnkek's activities that are funded through an outside source (i.e. a Federal government contribution agreement), requirements of that source will be monitored by the Chief Financial Officer to ensure proper adherence to all accepted terms and conditions. When the standards for reimbursable expenditures differ between Paqtnkek and the funding agreement, Paqtnkek's rates will apply.

## 5.11 Expenditure Reporting and Documentation

- a. For general and operational expenditures, the following should be submitted to accounting for payment
  - i. Original contract/agreement (if applicable).
  - ii. Original invoice.
  - iii. Purchase order (if applicable).
  - iv. Receiving documents / packing slips.
  - v. For payroll: payroll authorization form, timesheets, and salaried employee adjustments.
  - vi. Requisition for payment that has signed approval according to the Delegated/Assigned Authorities Policy and Paqtnkek's Financial Administration Law.
- b. Reimbursable expense claims must be complete, sufficiently supported, and recorded on the prescribed expense claim form. Before submitting expenses to Accounting for approval and payment, the employee will ensure that they have prepared a complete claim that includes:
  - a) The employee's signature and date signed, acknowledging that all amounts claimed are accurate and in support of Paqtnkek's official business;
  - b) Original receipts for all amounts claimed. Depending on the nature of the claim, these can include
    - a) Invoices.
    - b) Itineraries for air/train travel.
    - c) Itemized restaurant bills (where per diems do not apply).
    - d) Support for any exchange rates used in the expense claim. Sufficient support includes receipts from exchange bureaus for money exchanged or credit card bills showing the exchange rate received. When neither is available, the Bank of Canada official rate shall be used.
    - e) Signed travel authorization from the employee's manager (for the Director of Administration, a member of Council will approve, for Council members the Chair of the Finance and Audit Committee will approve).
    - f) If applicable, a signed pre-authorization supporting business class travel.
    - g) Proof of payment for items claimed, which includes credit card or debit receipts.
- c. Credit card receipts alone are not sufficient, the original itemized receipt or invoice from the supplier must be included in every reimbursement or expense claim.
- d. For all expenditures, claims with the appropriate support as described in section (7) b. above must be submitted to Accounting within 30 days of the expense being incurred.

### 5.12 Approval for Payment

- a. No money may be paid out of any account without a Requisition for payment.
- b. Invoices received must be immediately forwarded to Accounting with a Requisition for payment who will then process them to
  - i. Match with the purchase order and the receiving document,
  - ii. Ensure that all required documentation has been submitted to support payment,
  - iii. Verify mathematical accuracy,
  - iv. Ensure that any taxes are correctly calculated and processed if applicable for tax exemption claims,
  - v. Confirm that funds are available to pay the invoice, and
  - vi. Identify and note the authorized general ledger account coding.
- c. In addition to the steps below, the Director of Administration must authorize payment out of local revenue account.
- d. Invoices for goods or services that have not been ordered through a purchase order or contracting process, will be approved for payment by the manager of the employee (for the Director of Administration, a member of council will approve, for Council members the Chair of the Finance and Audit Committee will approve) who initiated the purchase. Approval for payment will
  - i. Be evidenced by a dated signature or initials on the invoice,
  - ii. Attest that the good or service has been received in accordance with the terms and conditions of the purchase, and that the invoiced amount is accurate mathematically and also for any taxes calculation, and
  - iii. Identify and note the authorized general ledger account coding.
- e. The individual that approves the expenditure cannot be the same individual who approves the Requisition for payment.
- f. Reimbursable expense claims will be reviewed by Accounting to ensure that
  - i. The expense claim is mathematically correct and that taxes are identified and accounted for correctly,
  - ii. Authorized general ledger account coding instructions are identified,
  - iii. Expenses claimed are for authorized activities,
  - iv. The claimed expenses are eligible and comply with this policy and procedure, and
  - v. Adequate and sufficient supporting documentation is attached.
- g. Any exceptions to the above will require authorization from the Chief Financial Officer for payment.
- h. The Chief Finance Officer will enter invoices and reimbursable expense claims into the general ledger for payment only when they have been appropriately processed and approved according to this policy and procedure and Paqtnkek's Financial Administration Law.
- i. Invoices or reimbursable expense claims that are still being processed or approved at the end of an accounting period will be recorded as an accrued liability.
- j. Claims that do not meet the requirements outlined in this policy will be denied reimbursement.

### 5.13 Payments (Accounts Payable)

- a. Accounts payable will be paid within thirty (30) days of the receipt of an invoice or reimbursable expense claim, with the exception of those invoices or expense claims which require management approval.
- b. All payments will be made using pre-numbered cheques. The distribution and use of pre-numbered cheques is to be as follows:
  - i. The original cheque is to be forwarded to the supplier;
  - ii. Cheques to be mailed are to be recorded in the mail log register.
- c. No Paq'tnkek cheques are to be signed in blank nor are they to be postdated. No exceptions.
- d. Cheques issued will be approved by the Director of Operations.
- e. Cheques will normally be signed twice weekly Thursday and Friday for Administration/Capital/Housing and every second Wednesday for social at the Band office with both cheque signers in attendance.
- f. Persons picking up a cheque will be required to sign for the receipt of the cheque. Cheques are to be released only to the person it is issued to unless otherwise authorized.
- g. The payments package will be provided to two authorized signatories, and will be accompanied by
  - i. A listing of all payments prepared noting the payee, amount, and payment date,
  - ii. Supporting documentation for each payment (e.g. cheque, transfer) including
    - a) Approved invoices, expense claims, purchase orders, and receiving documents, and
    - b) Evidence that Accounting has completed the processing of the payment, including account coding.
- h. Payments will be initiated / distributed by Finance immediately upon receipt of the signed payments from two authorized signatories.
- i. The follow are authorized signatories:
  - a. Chief
  - b. Director of Operations
  - c. Councillor(s)
- j. All documentation supporting payment will be retained in accordance with the Records and Information Policy. This will include purchase orders, invoices, contracts, packing slips, reimbursable expense claims with receipts, etc.
- k. Accounts Payable employees will notify the Chief Financial Officer immediately of any instances of
  - i. Non-compliance with policy requirements that cannot be resolved, and
  - ii. Suspected fraud.

#### 5.14 Cheque Issues

- a. Where the payee reports that a cheque has not been received or where subsequent to its delivery the cheque was lost, destroyed or stolen the matter is to be referred immediately to the appropriate bank and a "stop payment" is to be placed on the cheque(s).



- b. A duplicate or replacement cheque is not to be issued until the bank verifies that the cheque has not cleared the bank and the payee enters into a written agreement whereby the payee agrees to return the original cheque should it later be received by or delivered to the payee.
- c. Cheques issued on Paqntkek's bank account and which are not cashed six (6) months after the date of issue are to have a "stop payment" placed on the cheque(s) and reissued only upon identification and demand of the proper payee.
- d. Issued cheques may be from time to time be cancelled by the vendor or need to be reversed. These cheques are forwarded to the Chief Financial Officer who reverses the cheque in the accounting system and generates a listing of the reverse cheques. The Chief Financial Officer will be expected to make the necessary adjustments to the vendor in the accounts payable system and verify adjustments made by stamping and initialing report.

## **6) References and Related Authorities**

- (1) FMB's Financial Management System Standards
  - a. Standard 8.1 - Council delegation procedures
  - b. Standard 8.2 - Assignment procedures
  - c. Standard 18.4 - Expenditures
  - d. Standard 18.8 - Reimbursable expenses
- (2) FMB's Financial Administration Law Standards
  - a. Standard 8.2 - Delegation
  - b. Standard 16.2 - Expenditures

## **7) Attachments**



## (1) Long Term Debt Policy

All proposals for funding through long-term debt obligations will be submitted to the Finance and Audit Committee for review and recommendation and to Council for review and approval and will be supported by a financing proposal. Long-term debt obligations will be recorded, monitored, reconciled and reported to Council quarterly through the Finance and Audit Committee and any exceptions or issues identified and resolved.

## (2) Purpose

The purpose of this policy is to establish an effective and accountable borrowing framework for Paqtnkek.

## (3) Scope

This policy applies to the Director of Administration, Chief Financial Officer, Tax Administrator, Finance and Audit Committee, Council, and those persons with the authority to recommend or approve long-term debt.

## (4) Definitions

**“Capital Project”** means the construction, Rehabilitation or replacement of the First Nation’s Tangible Capital Assets and any other major Capital Projects in which the First Nation or its related bodies are investors.

**“Capital Project Plan”** means a plan to carry out a Capital Project and an annual capital plan means all of the Capital Project Plans to be budgeted for undertaken in a fiscal year.

“**PSAS**” refers to Public Sector Accounting Standards of the Canadian Public Sector Accounting Board, as amended or replaced from time to time.

## **(5) Responsibilities and Procedures**

### **5.1 Council is responsible for**

- Reviewing and approving any proposed long-term debt financing, including the terms and conditions, recommended by the Finance and Audit Committee.

### **5.2 The Finance and Audit Committee is responsible for**

- Reviewing any long-term debt financing proposal report presented by the Director of Administration and Chief Financial Officer and recommending a course of action to Council;
- Monitoring borrowings, loans and payments in respect of each Capital Project.

### **5.3 The Director of Administration is responsible for**

- Reviewing any long-term debt financing proposal report prepared by the Chief Financial Officer and recommending a course of action to the Finance and Audit Committee; and
- Requirement for consultation with member of the First Nation before any Capital Project related debt is incurred by the First Nation.

### **5.4 The Chief Financial Officer (in conjunction with the Tax Administrator for local revenue account related debts) is responsible for**

- Preparing any long-term debt financing proposal report for each proposed financing and presenting it to the Director of Administration for review and comment,
- Ongoing monitoring and management of all long-term debt obligations, including timely payments, maintaining sufficient documentation, and performing regular reconciliations of debt transactions, and
- Reporting and disclosing the long-term debt obligations in the financial statements in accordance with PSAS, Paqntkek’s Financial Administration Law and any agreements under which the long-term debt obligations were incurred.

### **5.5 Determination of need and evaluation of options**

- a. The Director of Administration and Chief Financial Officer will document the requirement for Paqntkek to incur a long-term debt obligation by examining the strategic plans, multi-year financial plan, annual budget, current financial situation, and any planned activities requiring funding. Once the need and amount of funding required is determined, the Chief Financial Officer will work

with the Director of Administration to outline the various financing options available to Paqtnkek.

- b. The Chief Financial Officer (and members of the finance team under the supervision of the Chief Financial Officer as appropriate) will prepare a long-term debt financing proposal report which includes the following:
  - i. Need for financing and alternatives considered;
  - ii. Evaluation of available financing options;
  - iii. Recommended financing option;
  - iv. Proposed security for the financing option;
  - v. The purpose, use and application of funds;
  - vi. Description of re-payment plans based on cash flow analysis;
  - vii. Linkage to Paqtnkek integrated planning process, including the strategic plan, multi-year financial plan, annual budget, and cash flow statements;
  - viii. Identification of any provisions in Paqtnkek's Financial Administration Law or in any other applicable law that limits debt which can be incurred by Paqtnkek or that imposes requirements or conditions which must be met before debt may be incurred;
  - ix. Requirement for consultation with members of Paqtnkek before any Capital Project-related debt is incurred by Paqtnkek.
  
- c. The Chief Financial Officer will consider at least the following for each financing alternative identified in the report:
  - i. Impact on future budgets and projected cash flow;
  - ii. The cost to Paqtnkek;
  - iii. Level of risk involved (i.e. covenant risks, refinancing, earnings dilution, interest rate risk, project completion risk);
  - iv. Paqtnkek's ability to service the long-term debt and repayment schedules;
  - v. An analysis of the terms and conditions and how these would impact Paqtnkek;
  - vi. Any financial reporting implications.
  
- d. The Director of Administration will review and approve the content of the long-term debt financing proposal report prepared by the Chief Financial Officer, including a recommended course of action to the Finance and Audit Committee.
  
- e. The Director of Administration will obtain concurrence from legal counsel on the long-term debt financing proposal.

## 5.6 Approval

- a. The Director of Administration and Chief Financial Officer will present the long-term debt financing proposal report to the Finance and Audit Committee for their review. The Finance and Audit Committee will review the report and make a recommendation to Council on whether to incur the long-term debt and which option it recommends.
- b. Council will review the long-term debt financing proposal report and accompanying recommendations. Subject to the Financial Administration Law,

Council will vote on whether to approve the requirement for entering into a long-term debt obligation. If the requirement to incur debt is approved, Council must also approve, through a Council Resolution, the terms and conditions of the long-term debt financing option that will be used.

#### **5.7 Management and monitoring of debt obligations**

- The Council will manage and monitor the long-term debt obligation by:
  - i. Ensuring the multi-year financial plan of Paqtnkek demonstrates how and when this deficit will be addressed and how it will be serviced;
  - ii. Ensuring the deficit does not have a negative impact on the credit worthiness of Paqtnkek; and
  - iii. Ensuring that any financial covenants contained in lending agreements are reported upon to the appropriate stakeholders in a timely manner.
- The Chief Financial Officer will manage and monitor the long-term debt obligation by:
  - i. Ensuring that timely payments are made according to the terms and conditions/repayment schedule of the long-term debt obligation;
  - ii. Performing quarterly reconciliations between Paqtnkek's financial records and statements from the lender; and
  - iii. Calculating any financial covenants contained in lending agreements and evaluating whether compliance with the terms of the covenants have been met.

#### **5.8 Reporting**

- The Director of Administration will deliver a report to each meeting of the Finance and Audit Committee summarising for each long-term debt obligation:
  - i. the gross amount outstanding;
  - ii. the amounts issued specifically by Paqtnkek on behalf of government business enterprises;
  - iii. the net amount reported on the consolidated statement of financial position;
  - iv. the gross interest paid or payable for the period related to the debt described in (a);
  - v. the interest revenue for the period received or receivable from government business enterprises on debt issued specifically by the government on behalf of government business enterprises; and
  - vi. the net amount of interest expense reported on the consolidated statement of operations.
- The Chief Financial Officer will ensure that the long-term debt obligation is reported to the Finance and Audit Committee on a quarterly basis in the financial statements in accordance with PSAS and any requirements of Paqntkek's Financial Administration Law.

#### **5.9 Records management**

- The Chief Financial Officer will ensure that records pertaining to each long-term debt obligation are created, maintained and retained in accordance with the Records Management Policy. For each long-term debt obligation, the following will be documented:
  - i. The loan agreement and any ancillary agreements;
  - ii. The long-term debt financing proposal report on which council based its decision;

- iii. Documented council approval and required membership information or involvement;
- iv. An interest and principal repayment schedule (if applicable) that includes the dates of all payments required under the loan agreement or plan for extinguishing the debt;
- v. The cost of borrowing including interest payments and service or other charges;
- vi. The purpose for which the long-term debt has been incurred;
- vii. Reconciliations of the long-term debt with lender records.

## **(6) References and Related Authorities**

- (1) FMB's Financial Management System Standards
  - a. Standard 18.5 - Debt
- (2) FMB's Financial Administration Law Standards
  - a. Standard 16.3 - Borrowing

## **1. Loans Receivable, Guarantees and Indemnities Policy**

Paqtnkek will ensure that any loans receivable, Loan Guarantees and indemnities given will be made in accordance with written agreements which include standard clauses, are appropriately approved, are monitored for compliance with agreement terms regularly, and are reported to the Finance and Audit Committee on a regular basis. Any loans receivable entered into between Paqtnkek and a Paqtnkek member or an entity in which a member of Paqtnkek has an interest must be part of a loans receivable program approved by Council which is universally available to all members in a fair and transparent manner and in accordance with published terms and conditions which are accessible to all members.

## **2. Purpose**

The purpose of this policy is to provide Paqtnkek with an effective and transparent process for the approval, collection and documentation of loans receivable, Loan Guarantees and indemnities given by Paqtnkek as authorized in its Financial Administration Law.

## **3. Scope**

This policy and procedure applies to loans receivable, Loan Guarantees and/or indemnities entered into between Paqtnkek and:

- (1) a Councillor;
- (2) a Finance and Audit Committee member;

- (3) an employee of Paqtnkek;
- (4) a Paqtnkek member or entity in which a Paqtnkek member has an interest; and
- (5) any other third party whether an individual or business entity including government business enterprises.

## 4. Definitions

**“Arrears”** refers to an unpaid, overdue debt, or an unfulfilled obligation.

**“Indemnity”** refers to the right of a person to recover the amount of a financial loss or a liability to a third party.

**“Loan Guarantee”** is a promise to pay all or a part of the principal and/or interest on a debt obligation in the event of default by the borrower.

**“Loan Receivable”** is a financial asset of the First Nation (as the lender) represented by a promise by a borrower to repay a specific amount, at a specified time or times, or on demand, usually with interest.

## 5. Responsibilities and Procedures

**5.1** Subject to the Financial Administration Law, Council is responsible for:

- Approving and signing all Loan Receivable agreements;
- Approving and signing all Loan Guarantee agreement;
- Approving and signing all Indemnity agreements;
- Approving all debt forgiveness;
- Approving the standard template, clauses, and interest rates (if applicable) to be applied to all Paqtnkek members, any entity in which a member of Paqtnkek has an interest or any other party with respect to loans receivable, Loan Guarantees and indemnities;
- Reviewing the report of the Chief Financial Officer and the Finance and Audit Committee for a lending program to members where such program is authorized in the Financial Administration Law and, where appropriate, approving such program.

**5.2** The Finance and Audit Committee is responsible for:

- Reviewing a report made by the Chief Financial Officer respecting a lending program to members and making any recommendations to Council;
- Monitoring the status of First Nation’s loans receivable, Loan Guarantees and indemnities and reporting to the Council;
- Monitoring the administration of any Council approved program of lending to members and any amendments thereof.

**5.3** The Director of Administration is responsible for:

- Approving employee payroll and employee expense advances up to \$1000.00;

- Ensuring the lending, Loan Guarantee and Indemnity process is transparent by providing Paqtnekek members access to the requirements, standard terms and conditions;
- Ensuring the publication of the terms and conditions of any Council approved program of lending to members, providing access to the published program by all members and administering the program;
- Approving the loan forgiveness report.

**5.4** The Chief Financial Officer is responsible for:

- Reporting to the Council, any risks associated with entering into a new program of loans to be made to members or entities in which members have an interest and the costs of administering such a program;
- Approving and signing fisheries loan agreements up to \$1000.00;
- Preparing loan, Loan Guarantee and Indemnity agreements using the standard clauses approved by Council;
- On a monthly basis, monitoring the status of loan repayments, overseeing the Loan Receivable collection procedures, evaluating the likelihood of collectability and risk of loss, approving any necessary loan valuation allowances to reflect loans receivable at the lower of cost and net recoverable value and reporting the results of this monitoring to the Finance and Audit Committee;
- On a monthly basis, preparing the loan valuation allowance, write-off and forgiveness report;
- Ensuring that Loan Receivable allowances and Loan Receivable write-offs and loan forgiveness are reported to the Finance and Audit Committee and accurately recorded and disclosed in the financial records and statements;
- Ensuring adequate supporting documentation is retained for all loans receivable, Loan Guarantees and indemnities;
- On an annual basis, preparing a report for the Finance and Audit Committee setting out all payments made to honour Paqtnkek's Loan Guarantees and indemnities;
- On an annual basis, preparing a report for the Finance and Audit Committee setting out all loans or obligations forgiven by Paqtnkek.

**5.5** Requirements

- Subject to the Financial Administration Law, any authorized loans receivable issued by Paqtnkek are subject to the following conditions:
  - i. Loans available to members must be set out in a program approved by the Council which has published terms and conditions and is universally available to all members;
  - ii. Loan Receivables and all payments received from those loans must be set out in an annual report that includes details about
    - a) the amounts loaned;
    - b) the purposes of the loans;
    - c) subject to applicable privacy law, the names of those receiving a loan; and
    - d) repayments of principal and interest on the loans.
  - iii. Paqtnkek will only issue loans for fisheries.
  - iv. The principle amount must not exceed \$675.00. Loans receivable will be approved by Council. Approval will be enacted by signing the agreement with the individual requesting the loan and will only be granted if the risk of non-payment is at an acceptable level for Paqtnkek.
  - v. Instances where there is a high risk or likelihood that the individual will be unable to pay (i.e. previous instances of debt non-payment, poor credit history, unemployment or bankruptcy, etc.) over \$250.00 will require Council approval.
  - vi. Interest, if charged, will be applied consistently to all loans at a risk adjusted rate of 6% percent plus prime.



- vii. A binding legal written agreement will be made between Paqtnkek and individual requesting the loan. The agreement will contain standard clauses that are consistently applied to every individual that applies for and secures a loan from Paqtnkek. The following items, at a minimum, will be present in the agreement:
  - i) The name of the individual;
  - ii) Amount of the loan;
  - iii) Nature and amount of any security over the loan pledged in favour of the First Nation or provided as loan collateral;
  - iv) Interest (if applicable);
  - v) Repayment schedule.
- viii. Approval will be enacted by signing the agreement with the individual requesting the loan.
- Loan Guarantees will only be granted when the Council determines it is required to achieve a goal or project that is for the best interest of the community.
  - i. The amount of the Loan Guarantee will be at the discretion of the Council. Loan Guarantees will be approved by Council upon consideration of the report of the Chief Financial Officer. Approval will be enacted by signing the agreement with the individual requesting the Loan Guarantee and will only be granted if the risk of non-payment or non-fulfillment of an obligation is at an acceptable level for Paqtnkek.
  - ii. The report from the Chief Financial Officer must identify any risks associated with giving the Loan Guarantee, evaluate the likelihood of having to honour and make payments under the guarantee, describe information collected and any judgments or estimates used to make this evaluation and assess the financial ability of Paqtnkek to honour the Loan Guarantee should it be required to do so.
  - iii. A binding legal agreement will be made between Paqtnkek and individual requesting the Loan Guarantee. The agreement will contain standard clauses that are consistently applied to every individual that applies for and secures a Loan Guarantee from Paqtnkek. The following items, at a minimum, will be present in the agreement:
    - a) Name of the individual;
    - b) Amount of the Loan Guarantee;
    - c) Duration of the Loan Guarantee agreement;
    - d) Amount, maturity and repayment terms of the underlying loan or obligation; and
    - e) Purpose and use of the underlying loan (e.g. details of the asset being acquired or leased or investment being made).
  - iv. Approval will be enacted by signing the agreement with the individual requesting the Loan Guarantee.
  - v. Paqtnkek will obtain a copy of any legal asset purchase, lease or investment agreement requiring the issuance of a Loan Guarantee and retain on file with the Loan Guarantee agreement.
- In exceptional circumstances only, indemnities will be granted in the following circumstances where it is recommended by the Finance and Audit Committee, and after consultation with both legal and accounting professionals for Paqtnkek Mi'kmaw Nation.
  - vi. Paqtnkek must not give an Indemnity unless it is:

- a) Authorized to do so under section 105 of Paqtnkek's Financial Administration Law ("FAL");
  - b) Necessary and incidental to and included in another agreement to which Paqtnkek is a party; or
  - c) In relation to a security granted by Paqtnkek that is authorized under the Financial Administration Law or another Paqtnkek Mi'kmaq Nation law.
- vii. Paqtnkek will obtain a copy of the asset or other appropriate agreement under Loan Guarantee and retain on file with the Loan Guarantee agreement.
- Employees may request a payroll advance from Paqtnkek. Only one (1) payroll advance will be allowed per year, once the previous year's advance has been settled. Payroll advances must be approved by the Chief Administrative Officer.
  - Employees may request an advance for valid out-of-pocket expenses that will be incurred within the current fiscal year and that will ultimately be reimbursed by Paqtnkek in accordance with the current expense policy. Amounts up to \$1000.00 can be approved by the Director of Administration and amounts over \$1000.00 require approval of Council.
  - Standard agreement clauses for loans, Loan Guarantees, and indemnities (including interest provisions) will be reviewed and reported on by the Finance and Audit Committee and approved by Council as necessary and at least annually. Any deviations from the standard agreement clauses require Council approval and consultation with legal counsel.

#### 5.6 Leases

- Paqtnkek must comply with the terms and conditions of any lease agreements it enters into.
- The Council or the person with delegated this authority by Council, should ensure that the Paqtnkek enters into a lease agreement, provided that the amounts payable under the lease are within the budget for the related program or department.
- Lease agreements respecting Paqtnkek must be made in accordance with the land code or applicable land management laws and policies.

#### 5.7 Accessibility

- Subject to the Financial Administration Law, all members must be able obtain a loan from Paqtnkek subject to any conditions outlined in this policy.
- The Director of Administration will ensure that the requirements to obtain a loan, Loan Guarantee or Indemnity, as well as the standard terms and conditions of these agreements are accessible to all Paqtnkek members. This information will be available to all members who request a copy from the local office either in person or by email.

#### 5.8 Collection

- On a monthly basis, the Chief Financial Officer will review the list of outstanding loans receivable and corresponding loan payments. The following actions will be taken to resolve overdue payments and delinquent accounts:
  - i. For loan payments that are between 30 and 60 days overdue, the individual holding the loan will be contacted in writing requesting that all overdue payments be made as soon as possible and no later than a specified date;
  - ii. For loan payments that are more than 60 days overdue, late payment interest will be charged on the outstanding loan balance in accordance with

the loan agreement between the individual and Paqtnkek. The individual will be contacted in writing and by phone and informed that interest will accumulate until all overdue payments have been received. Contact by writing and by phone will be made on a monthly basis thereafter if payment has not been received;

- iii. For loan payments that are more than 120 days overdue, the Chief Financial Officer will determine whether the loan should be considered impaired and written off or sent to an external collections agency. The Chief Financial Officer (or delegate) will inform the individual in writing and by phone that the payments in Arrears have been transferred to an external agency for collection;
- iv. Any additional financing arrangements or amendments to existing loan agreements to improve the likelihood of repayment between Paqtnkek and an individual with payments in Arrears will be determined by the Chief Financial Officer and approved by the Chief Administrative Officer.

### **5.9 Debt Forgiveness**

- All reasonable steps should be taken to attempt to collect the outstanding balance. However, when it becomes evident that Paqtnkek will be unable to collect the outstanding balance, a report should be compiled by the Chief Financial Officer and approved by the Director of Administration detailing the following:
  - i. Individual and amount in Arrears;
  - ii. Principal and interest outstanding on the loan;
  - iii. Length of time in Arrears and measures taken to collect on payments in Arrears;
  - iv. Rationale for debt forgiveness.
- Any request for debt forgiveness must be reviewed by the Finance and Audit Committee and only the Council can approve debt forgiveness.

### **5.10 Write-offs**

- When all reasonable steps to collect have been taken and debt has not been collected or forgiven, the Chief Financial Officer will ensure that the loan and its outstanding principal and interest payments are reclassified in the financial statements as bad debt.

### **5.11 Monitoring and Reporting**

- All loans, Loan Guarantees, and indemnities will be reported annually to the Finance and Audit Committee. The annual report will contain the following information for each loan, Loan Guarantee, and Indemnity:
  - i. Subject to applicable privacy law, name of the individual;
  - ii. Purpose of the loan, Loan Guarantee or Indemnity;
  - iii. Amount of the original loan, Loan Guarantee or Indemnity;
  - iv. Repayments of principal on loans;
  - v. Interest earned and collected on loans;
  - vi. Actual payments made, if any, against Loan Guarantees;
  - vii. Actual payments made to compensate for damages, if any, against indemnities;
  - viii. List of payments in Arrears by individual, subject to applicable privacy law;
  - ix. Any expected payments required as a result of the First Nation having to fulfill or honour a guarantee or Indemnity agreement based on the Chief

Financial Officer's knowledge of the contracts in place and changes in their underlying financial condition.

**5.12 Record Keeping**

- All agreements and payment records associated with loans, Loan Guarantees and Indemnities will be stored in Paqtnkek's financial records in accordance with the Records and Information Policy.
- Records of debt forgiveness will be retained in the event that in future, through changed circumstances, some or all of the debt may be repaid.

## **6. References and Related Authorities**

- (1) FMB's Financial Management System Standards
  - a. Standard 19.2.1 - Compliance with FAL
  - b. Standard 19.2.2 - Additional policies
  - c. Standard 19.2.3 - Policy content
  - d. Standard 19.2.4 - Records procedure
  
- (2) FMB's Financial Administration Law Standards
  - a. Standard 17.2 - Guarantees and indemnities
  - b. Standard 17.4 - Lending

## **1. Investments Policy**

It is Council's policy that Paqtnkek's investments will be managed and administered in a manner to preserve capital and generate sufficient income and growth to meet Paqtnkek's operational or strategic objects.

## **2. Purpose**

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

## **3. Scope**

This policy and procedure applies to Council, the Finance and Audit Committee, the Director of Administration and the Chief Financial Officer.

## **4. Responsibilities and Procedures**

### **4.1 Council is responsible for:**

- a. determining the Paqtnkek's short and long term investment objectives;
- b. determining allowable uses of available funds;
- c. approving preliminary risk assessment of funds;
- d. selecting / de-selecting investment manager(s) and custodian(s);
- e. approving the creation of an investment account;
- f. approving funds to be invested; and
- g. approving the redemption of invested funds.
- h. Periodic review of investment strategies
- i. Periodic review of compliance with investment strategy
- j. Ensuring investment strategies are implemented pursuant to Paqtnkek's Financial administration law.

### **4.2 The Finance and Audit Committee is responsible for:**

- a. providing Council with recommendations in relation to the funds to be invested;

- b. monitoring performance; and
- c. the redemption of invested funds.
- d. Reviewing investment strategy
- e. Reviewing compliance with investment strategy

**4.3** The Director of Administration is responsible for:

- a. monitoring the performance of all parties to whom duties have been delegated;
- b. reporting any significant changes to the investment portfolio to Council;
- c. liaising with the Finance and Audit Committee, Investment Manager, Chief Financial Officer, and Investment Consultants as required; and
- d. providing the Finance and Audit Committee with recommendations in relation to preliminary risk assessment of funds, selection / de-selection of the investment manager(s) and custodian, funds to be invested, monitoring performance, rebalancing portfolios, and the redemption of invested funds.

**4.4** The Chief Financial Officer is responsible for:

- a. analysis of proposals received from Investment Managers and Custodians;
- b. performing a preliminary risk assessment analysis against criteria to be met prior to investing decisions are made by Council;
- c. overseeing rebalancing of the investment portfolios asset mix according to Council instructions;
- d. executing transfers of funds to / from the investment account(s) according to Council instructions;
- e. preparing an accounting for additions, withdrawals and balances in the investment account;
- f. maintaining a record of the amount of, and market value of, the asset classes and units held within the investment portfolio; and
- g. preparation of a quarterly investment monitoring report including investment performance and a summary of professional advisory fees attributed to the management of the portfolio;
- h. recommending transfers, rebalancing, monitoring actions, Investment Manager changes, and any other recommendations relevant to the successful management of the investments.

**4.5** Determine Investment Management Strategy

Council will establish and implement a documented investment management strategy for Paqtnkek's funds that meet the requirements of the Financial Administration Law.

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

#### **4.6 Selection of Investment Manager(s) and Custodian**

- a. Council will select the Investment Manager(s) and Custodian. The Chief Financial Officer may review and analyze the proposals, or Council may engage an independent consultant to facilitate the selection process of Investment Manager(s) and Custodian.
  - i. Investment Manager(s) proposals will be analyzed using a number of criteria including: experience, qualifications, investment management style, costs, past performance, volatility of returns, and any other criteria identified by Council.
  - ii. Custodian proposals will be analyzed based on experience, security, service and fees.
- b. A Custodian agreement and Investment Management agreement(s) will be entered into by Paqtnkek. Agreements must be consistent with this policy and procedure, and must facilitate execution of the short and long term investment strategies. The agreements must be entered into before any funds are transferred into the investment account(s).

#### **4.7 Termination of Investment Manager(s)**

- a. Council may terminate an Investment Management agreement for:
  - i. performance results;
  - ii. changes in Paqtnkek or its investment strategy which would no longer require the services of an Investment Manager;
  - iii. changes in Investment Manager personnel, firm or ownership structure, investment philosophy, style or approach which might adversely affect the potential return and / or risk level; and
  - iv. failure to adhere to this policy and procedure.

#### **4.8 Designation and transfers of investment funds**

- a. The Chief Financial Officer will notify Council in writing when there is Paqtnkek funds available for transfer to the investment account(s). The written notification must identify the source(s) of the available funds (i.e. government transfer, local revenues, or unrestricted) and whether they are to be invested according to the short-term or long-term strategy.
- b. Council must approve the transfer of funds to and from the investment account(s) and authorize the creation of a new investment account if required.
- c. The Chief Financial Officer will transfer the approved funds into the designated investment account(s) and communicate to the Custodian and Investment

Manager whether the funds are restricted or unrestricted, and whether they are to be invested over the short term or long term.

- d. The Chief Financial Officer will communicate and oversee approved requests to redeem investments and transfer the proceeds to Paqtnkek.

#### **4.9 Permitted Investments**

- a. Restricted funds may only be invested in:
  - i. securities issued or guaranteed by Canada or a province;
  - ii. securities of a local, municipal, or regional government in Canada;
  - iii. investments guaranteed by a bank, trust company or credit union;
  - iv. deposits in a bank or trust company in Canada or non-equity or membership shares in a credit union; or
  - v. securities issued by the First Nations Finance Authority.
- b. Unrestricted funds may be invested in:
  - i. securities issued or guaranteed by Canada, a province or the United States of America;
  - ii. fixed deposits, notes, certificates and other short term paper of, or guaranteed by a financial institution including swaps in United States of America currency;
  - iii. securities issued by the First Nations Finance Authority or by a local, municipal or regional government in Canada;
  - iv. commercial paper issued by a Canadian company that is rated in the highest category by at least two (2) recognized security-rating institutions;
  - v. any class of investments permitted under an Act of any province relating to trustees;
  - vi. any other investments or class of investments prescribed by a regulation under the Act;
  - vii. a company that is incorporated under the laws of Canada or of a province or territory and in which Paqtnkek is a shareholder;
  - viii. a trust in which Paqtnkek is a beneficiary;
  - ix. a limited partnership in which Paqtnkek is a partner; and
  - x. subject to the Financial Administration Law, a member investment program as described in section 64 of the Law.

#### **4.10 Monitoring of Investments**



- a. The Chief Financial Officer will reconcile the investment and custodian accounts to the general ledger and financial statements in a timely manner (either monthly or quarterly).
- b. The Chief Financial Officer will recalculate the investment management and custodian fees charged to ensure they are consistent with the underlying contracts.
- c. The Chief Financial Officer will prepare a quarterly monitoring report and provide that report to the Director of Administration. The report will summarize:
  - i. the performance of the investments under management to relevant benchmark(s);
  - ii. the weighting of the investment portfolio and comparison to the target portfolio asset allocation;
  - iii. any relevant media or news articles about the Investment Manager and / or Custodian;
  - iv. any ownership and / or staffing changes within the Investment Manager organization;
  - v. any instances of non-compliance with the FSMA, the Financial Administration Law, or this policy and procedure;
  - vi. recommendations in relation to rebalancing of the portfolio and / or de-selection of the Investment Manager, or any other recommendation(s).
- d. The Director of Administration will review the report, add his / her recommendation(s), and provide the report to the Finance and Audit Committee.
- e. The Finance and Audit Committee will review the quarterly monitoring report, add their recommendation(s), and provide the report to Council.
- f. The Council will review the quarterly monitoring report and accompanying recommendations and make any necessary decisions.
- g. The Investment Manager will be required to attend a Council meeting and discuss investment performance, and changes in strategy, approach or personnel.

#### **4.11 Re-balancing of the Investment Portfolio**

- e. The Director of Administration and Chief Financial Officer will transmit any rebalancing instructions to the Custodian and Investment Manager only if first approved by the Council.

## **5. References and Related Authorities**

- (1) FMB's Financial Administration System Standards

- a. Standard 19.3 – Investments
- (2) FMB’s Financial Administration Law Standards
  - a. Standard 17.3 – Investments

## 6. Attachments

None

## 1. Tangible Capital Assets Policy

Tangible Capital Assets will be managed using a life-cycle approach that effectively plans, manages, accounts for and disposes of assets according to Paqtnkek’s asset strategy and that ensures assets are accurately reflected in Paqtnkek’s financial statements.

## 2. Purpose

The purpose of this policy is to provide guidance on the planning, management, and accounting treatments for Tangible Capital Assets over the entire asset life cycle

## 3 Scope

This policy applies to the Council, Finance and Audit Committees, Senior Manager, Senior Financial Officer, and senior management of the First Nation, as well as any employees directly involved in capital asset management.

## 4. Definitions

**“Amortization”** - the allocation of the cost less the residual value of a TCA to operating periods as an expense over the useful life of the TCA on a straight-line basis.

**“Asset recognition criteria”** means the criteria to be used to set the threshold for determining whether a TCA must be included in the TCA register and in the life-cycle management program. (\$10,000)

**“Betterment”** - a material cost incurred to enhance the service potential of a TCA and increase the previously assessed physical output or service capacity, significantly lower associated operating costs, extend the life of the TCA or improve the quality of output.

**“Capital project”** means the construction, rehabilitation or replacement of the Paq’tnkek’s TCA and any other major capital projects in which the Paq’tnkek or its related bodies are investors.

**“Capital project plan”** means a plan to carry out a capital project and an annual capital plan means the entire capital project plans to be budgeted for undertaken in a fiscal year.

**“Capitalization thresholds”** relates to the minimum dollar amount that is used to assist in determining which expenditures will be capitalized as assets and amortized and which expenditures will be treated as current year expenses.

**“Carrying Costs”** costs directly attributed to an asset’s acquisition, construction or development activity where, due to the nature of the asset, it takes a long period of time to get it ready for its intended use. Typically carrying costs include technical and administrative work prior to commencement of and during construction and overhead charged directly attributable to construction or development.

**“Component”** is a part of an asset with a cost that is significant in relation to the total cost of the asset. Component accounting recognizes that each part might have a different useful life and requires separate accounting for each component that has a useful life different than that of the whole asset.

**“Contributed Assets”** is a capital asset gifted or contributed by an external third party for no cash outlay.

**“Cost”** is the gross amount of consideration given up to acquire, construct, develop or better a TCA, and includes all costs directly attributable to acquisition, construction, development or betterment of the TCA, including installing the asset at the location and in the condition necessary for its intended use. The cost of a contributed TCA, including a TCA in lieu of a developer charge, is considered to be equal to its fair value at the date of contribution. Capital grants would not be netted against the cost of the related TCA.

**“Deferred Maintenance”** is maintenance that was not performed when it was scheduled, or that was delayed for a future period and may result in a decrease in service levels and can affect the life expectancy of the asset. It is noted in the asset register.

**“Disposal”** refers to the removal of a TCA from the balance sheet, including the zeroing of the TCA account and the recognition of a gain or loss of disposal. This will result from the removal of a TCA from service due to sale, destruction, loss or abandonment.

**“Fair value”** is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

**“Fair Market Value”** also referred to as “Fair value” is the amount of consideration that would be agreed upon in an arm’s length transaction between knowledgeable and willing parties who are under no compulsion to act.

**“GAAP”** refers to generally accepted accounting principles (“GAAP”) of the Canadian Institute of Chartered Accountants, as amended or replaced from time to time.

**“Impairment”** refers to when conditions indicate that a TCA no longer contributes to the ability to provide goods and services, or that the value of future economic benefits associated with the TCA is less than its net book value.

**“Infrastructure”** refers to linear assets and their associated specific components generally constructed or arranged in a continuous and connected network including transportation

components (roads, bridges, storm sewers, traffic signage), and environmental components (water distribution systems, waste water treatment systems).

“**Land**” refers to the surface used to support structures and purchased or acquired for value for building sites, infrastructure and other program use but no land held for resale. Land normally has an unlimited life and is not amortized.

“**Leased TCA**” refers to non financial TCA leased by the Band for use in the delivery of goods and services. Substantially all of the benefits and risks of ownership are transferred to the Band without necessarily transferring legal ownership.

“**Life-cycle management program**” means the program of inspection, review and planning for the management of Paq’tnkek’s TCA as described in the Financial Administration Law and this policy.

“**Life cycle planning**” is a key component of a life-cycle management program as it provides information for understanding the condition and assessing the performance of capital assets, anticipates the needs for replacements in the short and long term, and assesses the cost and sustainability of existing programs.

“**Net book value**” of a TCA is its cost, less both accumulated amortization and the amount of any write-downs.

“**Non-financial Assets**” are TCA and other assets such as prepaid expenses and inventories of supplies that are acquired, constructed or developed and morally employed to deliver local government services, are consumed in the normal course of operations and are not for sale in the normal course of operations.

“**Pooled (Pooling of) Assets**” refers to assets of value below the materiality threshold when considered on an individual basis but collectively make up a significant group of assets that exceeds the threshold level (i.e. computers, office furniture).

“**Rehabilitation**” includes alteration, extension and renovation but does not include routine maintenance.

“**Repairs and Maintenance**” refers to recurring expenditures, periodically or regularly required as part of the anticipated schedule of work required to ensure that the asset achieves its useful life. It is an expenditure that keeps an asset in a condition that helps maintain or ensure realization of the future economic benefits that are expected from the asset over its initially assessed useful life.

“**Replacement**” includes substitution, in whole or in part, with another of Paq’tnkek’s TCA.

“**Residual value**” is the estimated net realizable value of a TCA at the end of its useful life to the Paq’tnkek. Tangible capital assets are deemed to have no residual value for the purpose of calculating amortization.

**“Straight-line Method”** is the method of calculating amortization that allocates the costs less estimated residual value of a TCA over each year of its estimated useful life.

**“Tangible capital assets”** also referred to as “TCAs” are non-financial assets having physical substance and a current value of at least ten thousand (\$10,000) dollars that are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other TCA, have useful economic lives extending beyond an accounting period, are to be used on a continuing basis, and are not for sale in the ordinary course of operations. TCAs include items such as equipment, computers, vehicles, buildings, roads, bridges, water and sewer systems, dams, etc. TCAs do not include natural resources, reserve lands, land held for resale, art work, historical or cultural treasures, etc.

**“Threshold”** is the minimum cost that an individual asset must have before it is to be treated as a TCA. The TCA is to be used as a guide in addition to the Chief Financial Officer’s judgment. The threshold for a TCA is ten thousand (\$10,000) dollars. The threshold does not apply to electronic devices such as computers, laptops, cell phones and ipads.

**“Useful life”** is the estimate of either the period over which a TCA is expected to be used by Paq’tnkek, or the number of production or similar units that can be obtained from the TCA by Paq’tnkek. The actual life of a TCA may extend beyond the useful life of a TCA to Paq’tnkek. The life of a TCA, other than land, is finite, and is normally the shortest of the physical, technological, commercial and legal life.

**“Work in Progress”** is the accumulation of capital costs for partially constructed or developed projects.

**“Works of Art and Cultural / Historical Treasures”** are property that has cultural, aesthetic or historical value that is worth preserving perpetually.

**“Write-down”** is a reduction in the cost of a TCA as a result of a decrease in the quality or quantity of its service potential. A write-down should be recorded and expensed in the period the decrease can be measure and is expected to be permanent.

## 5. Responsibilities

- Council are responsible for;
  - Approving Capital Project Plans and tangible capital asset reserve fund transactions;
  - Establishing a tangible capital asset reserve fund;
  - Establishing Asset Recognition Criteria;
  - Approving the Tangible Capital Assets register;
  - Approving policies and procedures for Capital Projects to address the issues identified in the Financial Administration Law for the proper management of Capital Projects;

- Approving procedures for the safeguarding of Tangible Capital Assets; and
  - Ensuring Capital Project budgeting requirements are implemented.
  
- The Finance and Audit Committee are responsible for;
  - reviewing on or before January 15 the financial information provided on the life-cycle management program by the Chief Financial Officer,
  - reviewing and recommending to Council the annual budget for TCA,
  - reviewing and recommending to Council procedures for the safeguarding of assets,
  - reviewing status reports on the capital asset reserve fund and if necessary making a recommendation to Council relative to the funding contribution,
  - monitoring at each meeting the status of all capital projects including borrowings, loans and payments for each project, comparison of expenditures to date with the project budget, details of identified problems with the project and how they will be addressed and steps taken for each capital project to comply with Council policies for management of capital projects,
  - reviewing the Director of Administration 's recommendations on asset recognition criteria and making recommendations to Council for approval; and
  - reviewing any scheduled capital project plans including supplemental information and their budgets and developing recommendations for Council.
- The Director of Administration is responsible for;
  - developing procedures and guidelines as they relate to the management of TCA,
  - developing the life-cycle management program in accordance with the requirements of this policy and the Financial Administration Law and making recommendations to the Finance and Audit Committee and Council on matters concerning the management of the Paq'tnkek 's TCA,
  - maintaining the TCA register as required in this policy and the Financial Administration Law, including arranging for an annual inspection to obtain updated information of each capital asset (e.g. physical condition, remaining useful life, etc.),
  - ensuring Paq'tnkek members are informed and involved in TCA projects and borrowings for construction as required in the Financial Administration Law,
  - developing and recommending to the Finance and Audit Committee the asset recognition criteria and reviewing the criteria annually for recommended changes, and
  - serving as a point of contact for capital project consultants.
- The Chief Financial Officer is responsible for:

- recommending policies, procedures and guidelines around the management of TCA,
- preparing TCA financial reports for presentation to both program directors and Council,
- ensuring compliance with legal and policy requirements governing the use of capital funds,
- providing financial recommendations on TCA repair, rehabilitation and replacement decisions,
- developing and recommending a sustainable financial plan to support the TCA program,
- reporting significant budget variances for TCA to Council,
- the accurate and timely recording and reporting of TCA in the financial statements in accordance with PSAS,
- monitoring the application of this policy and updating the policy on a regular basis,
- preparing on or before December 31 of each year the financial information related to routine maintenance and rehabilitation or replacement of TCA as required in the Financial Administration Law and this policy,
- monitoring the TCA insurance and making recommendations to the Director of Administration in adequate time before each annual renewal, or sooner if circumstances warrant,
- preparing quarterly reports to the Finance and Audit Committee, or more frequently if necessary, on the status of the capital asset reserve fund,
- developing and recommending procedures for the safeguarding of assets and ensuring approved procedures are followed; and
- developing the budget for capital project plans and annual capital plan.
- Program Directors are responsible for;
  - ensuring TCA under departmental management are managed in compliance with policies, procedures and guidelines,
  - ensuring that the management of TCA is carried out within departmental approved budgets,
  - reporting TCA-related budget variances to the Chief Financial Officer; and
  - participating as part of the program director's management team in the evaluation and prioritizing TCA repair, rehabilitation and replacement funding decisions.
- Employees involved in the life-cycle management program are responsible for:
  - following sign-out procedures for the use of TCA,

- returning TCA that are within their care and control upon request of their supervisor or at the end of their employment or program under which they were provided with the TCA,
- maintaining TCA information and implementing asset security and safeguarding measures in accordance with policies and procedures,
- recording and reporting acquisition, damage or loss of TCA to the Director of Administration, and
- ensuring TCA are accurately tracked and inventoried using the pre-numbered asset control tagging system.

## **6. Procedure**

### **6.1. TCA Register**

- 6.1.1.** A capital asset register will be established and updated by the Chief Administrative Officer. The asset register will facilitate the life-cycle management program with maintenance, rehabilitation, and replacement activities as well as providing an accurate inventory of capital assets. The register is attached as appendix A
- 6.1.2.** The register will include the information required in the Financial Administration Law and, at a minimum, the following information:
- Location and address
  - Acquisition date
  - Acquisition cost
  - Remaining useful life in years
  - Estimated repairs and maintenance costs to date
  - Insured value
  - Disposal value (current year disposal of asset only)
  - Inspection date
  - General comments
- The finance department will regularly reconcile the capital asset register to the general ledger.
- 6.1.3.** An electronic ‘asset notification’ record will be prepared by the Finance Department from the accounting records when a new TCA is acquired.
- 6.1.4.** The Finance Department will assign an asset tracking (i.e. serial) number and a department code (for the purposes of accounting for depreciation) to each new TCA and add the TCA to the register. This information will be provided to the Program Director responsible for the management of the TCA. The Program Director will ensure that the asset tracking information is affixed to the TCA.



**6.1.5.** Program Directors will be provided with a copy of the TCA register on an annual basis listing the assets assigned to their respective departments. It is the responsibility of the Program Director to regularly report any changes (e.g. additions, approved disposals, indicators of impairment, changes to estimated useful life, etc.) that are to be made to the register to the Finance Department.

**6.1.6.** The Finance Department will regularly reconcile the general ledger to the TCA register. Please refer to Appendix A for additional guidance on the Tangible Capital Asset Register.

## **6.2. Amortization/Depreciation**

**6.2.3.** A suitable method for amortizing (or depreciating) each category of TCA should be selected to form part of Paq'tnkek's accounting policies.

Different methods of amortizing a TCA result in different patterns of cost recognition. The objective is to provide a systematic and rational basis for allocating the cost of a TCA, less any residual value, over its useful life. A straight-line method reflects a constant charge for the service as a function of time. A variable charge method reflects service as a function of usage. Other methods may be appropriate in certain situations.

**6.2.4.** The cost, less any residual value, of a TCA with a limited life should be amortized over its useful life in a rational and systematic manner appropriate to its nature and use by Paq'tnkek. Amortization (or depreciation) expense should be calculated and recorded on a monthly basis.

**6.2.3.** The amortization of the costs of TCA should be accounted for as expenses in the statement of operations.

**6.2.4.** Land normally has an unlimited life and would not be amortized.

**6.2.5.** Where Paq'tnkek expects the residual value of a TCA to be significant, it would be factored into the calculation of amortization.

**6.2.6.** The useful life of a TCA depends on its expected use by the Paq'tnkek. Factors to be considered in estimating the useful life of a TCA include;

- expected future usage,
- effects of technological outdateding,
- expected wear and tear from use or the passage of time,
- the maintenance program,
- studies of similar items retired; and
- the condition of existing comparable items.

**6.2.7.** The amortization method and estimate of the useful life of the remaining unamortized portion of a TCA should be reviewed by the Chief Financial Officer on a

regular basis and revised when the appropriateness of a change can be clearly demonstrated.

### **6.3. Annual Inspection and Review**

- 6.3.1.** On or before November 30, the Director of Administration will initiate an annual inspection of Paq'tnkek's TCA. Employees will be assigned to complete the inspection under the Director of Administration's supervision. Where appropriate or necessary the Director of Administration may engage the services of an external specialist to assist in the valuation of certain specialised assets (e.g. land, buildings, etc.).
- 6.3.2.** Any changes necessary to the TCA register will be documented by the employee noting the changes, and communicated to the Director of Administration for review and approval. Once reviewed and approved by the Director of Administration, the changes will be input in the TCA register by the employee responsible for the register.
- 6.3.3.** The Director of Administration will report to the Finance and Audit committee on the outcome of the annual inspection and review of assets, noting any significant developments or findings.
- 6.3.4.** In the event that there is evidence of damage to or a loss of an asset identified during the inspection process or at any other time of the year, the Director of Administration will investigate the matter and initiate the insurance claim process if applicable. The TCA register will be updated based on this new information.
- 6.3.5.** When conditions indicate that a TCA no longer contributes to the Paq'tnkek's ability to provide goods and services, or that the value of future economic benefits associated with the TCA is less than its net book value, the cost of the TCA should be reduced to reflect the decline in the asset's value.
  - The net write-downs of TCA should be accounted for as expenses in the statement of operations.
  - A write-down should not be reversed.

### **6.4. Safeguarding Assets**

- 6.4.1.** The Chief Financial Officer will ensure that there is an asset identification system in place for all moveable TCA subject to the risk of theft. Identification should include the date of purchase and an asset identification (reference) number that identifies the asset to be property of Paq'tnkek.
- 6.4.2.** Physical security arrangements over TCA will be reviewed annually<sup>2</sup> by the Chief Financial Officer and the results of this review will be reported to and reviewed by the Finance and Audit Committee with any recommendations to Council.

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<sup>2</sup> This may occur at the same time as the physical inspection of asset condition is performed

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

## **6.5. Maintenance of Assets**

**6.5.1.** Where a TCA is identified as no longer in use the Director of Administration shall arrange for the decommissioning and appropriate disposal of the assets in accordance with any applicable laws or regulations.

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

**6.5.3.** The Director of Administration will recommend that any TCA in an unsafe condition, based on the annual review, are removed from use while unsafe and are given a priority for replacement (or rehabilitation) in future planning.

## **6.6. Life Cycle Management Program**

**6.6.1.** Based on the information in the TCA register and consultations with the Director of Administration and employees, the Chief Financial Officer will prepare the annual capital plan by December 31 of each year.

**6.6.2.** The annual capital plan will include short and long term forecasts for asset rehabilitation and/or replacement. The plan will include the information that the Chief Financial Officer is required to prepare in the Financial Administration Law and, at a minimum, the following details:

- a description of each asset to be replaced or rehabilitated,
- the rationale for the replacement or rehabilitated,
- estimated cost, including contingencies, of each proposed acquisition or rehabilitation project,
- estimated timeframe and schedule for completion of each asset acquisition or proposed rehabilitation project; and
- ongoing maintenance requirements and costs and the impact on Paqtnkek's annual budget and multi-year financial plan.

**6.6.3.** The Finance and Audit Committee will review the annual capital plan, in conjunction with the TCA register. The objective of this review is to:

- identify any means to reduce costs of each capital project,
- understand the effect that each proposed capital project on the annual operating costs and routine maintenance costs in future years,

- determine whether any significant savings might be effected by coordinating the scheduling of capital projects, deferring any projects, or carrying out rehabilitation projects rather than replacement projects.

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

## **6.7. Capital Projects**

**6.7.1.** The Director of Administration, with input from the Chief Financial Officer, will develop an annual capital plan for all capital projects that exceed one hundred thousand (\$100,000.00) dollars in cumulative value. The plan will include a business case for the capital project, that will contain, at a minimum, the following:

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

**6.7.2.** The annual capital plan will be integrated with Paq'tnkek's strategic plan (see [Integrated Planning Policy] for further details).

**6.7.3.** The Director of Administration will coordinate project planning, design, engineering, tendering, bid selection, and environmental requirements for each capital project in accordance with Council policies and procedures for management of capital projects. Capital project consultants, including engineers, may be engaged to carry out these obligations at the discretion of the Director of Administration and within the approved budget.

**6.7.4.** The Chief Financial Officer will coordinate project costing, budgeting, financing and approval for each capital project in accordance with Chief ad Council policies and procedures for management of capital projects.

**6.7.5.** To coordinate project management of each capital project, an ad hoc working committee - project planning and implementation - may be established as necessary with the Director of Administration and Chief Financial Officer as members.

**6.7.6.** The annual capital plan and recommendations will be provided to the Finance and Audit Committee. Scope adjustments, modifications and other significant adjustments made to the capital plan will be identified and a rationale provided.

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

**6.7.8.** The Council must take reasonable steps to ensure that capital projects for construction of buildings or other improvements are financed, planned and constructed in accordance with procedures and to standards that generally apply to the financing, planning and construction of public builds and other improvements of organized communities in rural Nova Scotia. The Director of Administration will report to the Finance and Audit Committee on steps taken to ensure these results are met for every capital project.

## **6.8. Construction Management**

**6.8.1.** The Director of Administration will procure appropriate course of construction insurance for each capital project in accordance with the FAL policy governing insurance and will require contractors to have project performance guarantees or bonding for each project or as otherwise permitted or required in the Council policies and procedures for management of capital projects.

**6.8.2.** Depending upon the size of the project, an independent project manager may be retained to provide contract management and control.

**6.8.3.** The Chief Financial Officer will process contractor progress payments, manage construction holdbacks and payment as required in the Council policy and procedure on management of capital projects and will organize audit procedures in conjunction with the annual audit.

**6.8.4.** The Chief Financial Officer will report to every meeting of the Finance and Audit Committee on each capital project respecting

- year to date borrowings, loans and payments,
- the status of the project including
- a comparison of the expenditures to date against the project budget,
- a detailed description of any identified problems with the project,
- the manner in which a problem identified has been or will be addressed,

steps taken to ensure compliance with Council policies and procedures for management of capital projects,

- work approvals, including change orders, will be signed off by the project manager or designate and forwarded to the finance department for retention and clearance against the contractor's invoice.

## **6.9. Life Cycle Policy Directives**

All TCA that fall within the categories outlined in Appendix A based on their nature, characteristics and useful life, shall be recorded in the accounts of Paq'tnkek in accordance with this policy.

**6.9.1.** The cost of TCA includes direct construction or development costs, overhead costs directly attributable to the acquisition, and construction or development of the TCA. These costs may include but are not limited to:

- amounts paid to vendors,
- transportation / freight charges to the point of initial use,
- handling and storage charges,
- direct design / production costs such as labour, equipment rentals, materials and supplies,
- non-refundable taxes,
- engineering, architectural and other outside services for designs, plans, specifications and surveys,
- acquisition and preparation costs of buildings and other facilities,
- fixed equipment and related installation costs required for activities in a building or facility,
- direct costs of inspections, supervision and administration of construction contracts and work,
- legal fees and damage claims,
- fair values of land (other than reserve land), facilities and equipment donated,
- appraisal and advertising costs, application and survey fees, utility and site preparation costs.

#### **6.9.2. Capitalization of Carrying Costs**

Borrowing costs incurred by the acquisition, construction and production of an asset that takes a substantial period of time to get ready for its intended use should be capitalized as part of the cost of that asset. Capitalization of interest costs should start when expenditures or borrowing costs are incurred. Capitalization should be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use are complete.

#### **6.9.3. Contributed Assets**

A TCA may be donated by a third party with no cash outlay. The amount to record these assets at is the cost of the asset provided by the contributor. Where this information is not available, a fair value may be estimated using either market or appraised values or a qualified third party valuation. Where an estimate of fair value cannot be made, the asset will be recognized at a nominal value.

#### **6.9.4. Valuation of Existing Tangible Capital Assets**

All TCA currently held by Paq'tnkek must be identified and valued using an appropriate cost base. Where practical and cost effective existing TCA will be valued using historical costs adjusted for the proportion of the useful life of the asset that has already been consumed through the establishment of a provision for accumulated amortization.

Where it is not practical and cost effective to establish a reasonable estimate of an asset's historical cost, replacement value will be determined. This amount will be discounted back to the year the asset became available for use using the Consumer Price Index to estimate historical cost.

#### **6.9.5. Betterment vs. Repairs and Maintenance**

Betterment expenditures increase the service potential (capacity), reduce operating costs, or extend the useful life of a TCA. The costs of betterments are considered to be capital asset additions to the related asset. If they meet the threshold of the applicable capital asset category they are capitalized; under the threshold they are expensed. If the betterment increases the useful life of the TCA, the useful life for the asset as a whole should also change.

Repairs and maintenance expenditures maintain service potential of a TCA over its given useful life and are an expense of the period which is not to be capitalized. This includes repairs to assets damaged by fire, flood, accident or similar event. Any money received from insurance is to be used to offset the repair cost.

#### **6.9.6. Adjustments**

A capital asset should be written down or written off when a reduction in the value of the asset can be measured and the reduction is expected to be permanent. The write down or write-off should be accounted for as an expense in the current period. Annual amortization should be recalculated using the net book value after the write down or write-off and the remaining estimated useful life.

#### **6.9.7. Disposal**

A capital asset is disposed of when it is sold, destroyed, lost or abandoned. At that time the cost and accumulated amortization should be removed from the accounting records and any gain or loss recorded. Costs associated with the disposal and paid by Paqtnkek should be expensed.

### **6.10. Acquisition of Tangible Capital Assets**

**6.10.1.** Program Directors will identify to the Director of Administration the TCA to be acquired as part of the annual budget and annual capital plan. It is recognized however that unforeseen asset acquisitions will occasionally be necessary.

**6.10.2.** The acquisitions of TCA are subject to the Delegated and Assigned Responsibilities Policy and the Procurement Policy.

**6.10.3.** Subject to the Delegated and Assigned Responsibilities Policy, all purchases or leases of TCA are to be made in accordance with the annual budget, annual capital plan, and approved by Council.

**6.10.4.** Any significant variance between budgeted and actual cost of the TCA is to be reported to the Director of Administration and the Finance and Audit Committee.

**6.10.5.** Following acquisition and delivery of a TCA, the Finance Department will ensure the asset is recorded in the accounting records and the financial statements of Paq'tnkek. An asset tracking number will be assigned and the asset added to the TCA Register.

#### **6.11. Tangible Capital Asset Reserve Fund**

**6.11.1.** The Council will establish a TCA Reserve Fund to be applied for the purposes of construction, acquisition, maintenance, rehabilitation and replacement of TCA.

**6.11.2.** The Chief Financial Officer and the Finance Department will manage the TCA Reserve Fund.

**6.11.3.** All withdrawals from the TCA reserve fund must be approved by a Band Council Resolution at a duly convened Council meeting and be in accordance with the annual budget and approved annual capital plan.

#### **6.12. Leasing Tangible Capital Assets**

Paq'tnkek may choose to lease an asset to provide services for community members. The terms of the lease determine whether it should be treated as an operating lease or a capital lease.

##### **6.12.1. Capital Lease and Operating Lease**

If the benefits and risks of the asset are essentially transferred to Paq'tnkek (the lessee), then the lease is a capital lease and the leased asset is a TCA provided the threshold amount is met.

If the benefits and risks of the asset remain with the lessor (owner), then the lease is an operating lease and would not include the asset as part of the TCA.

##### **6.12.2. Transfer of Benefits and Risks**

The benefits and risks of ownership would be transferred to Paq'tnkek when, at the start of the lease, one or more of the following conditions would be present:

- There is a reasonable assurance that the Band will obtain ownership of the leased asset by the end of the lease term. For example, at the end of the lease the Band can obtain ownership of the asset for \$1.
- The lease term is such that the Band will receive all of the economic benefits of the asset over its useful life. The lease term would normally need to be 75% or more of the useful life of the asset.
- The lessor (owner) would be assured of recovering substantially all of their investment in the leased asset. This condition would exist if the present value of the minimum lease payments would be equal to or about 90% or more of the fair market value of the asset.

If the lease agreement does not meet any of the above conditions but still is considered to be a TCA under a capital lease due to the transferred benefits of risk and ownership to Paq'tnkek, then the TCA must be recorded into the TCA register.



### **6.12.3. Capital Leases as Operating Leases**

The effect of a leased TCA on the statement of revenues and expenses should also be considered when determining whether or not the asset is the property of Paq'tnkek. There would substantially be no effect on the financial statements if a four-year lease for a computer with a useful life of four-years was treated as a leased TCA or as an operating lease. This would normally be treated as an operating lease because it does not materially affect the financial statements.

In contrast, consider a five-year lease agreement for a truck which would be amortized over ten years as a leased TCA. The choice of accounting treatment would materially affect Paq'tnkek's financial statements, therefore, the lease terms should be closely examined to determine whether to capitalize and amortize the asset or expense the lease payments.

### **6.13. Disposal of Tangible Capital Assets**

- 6.13.1.** Program Directors will identify to the Director of Administration the TCA to be disposed of and the method of disposal as part of the annual departmental budget. It is recognized however that unforeseen asset disposals will occasionally be necessary.
- 6.13.2.** The fair market value of a TCA must be determined for all disposals as a prior condition of approval. The Director of Administration shall have the authority to determine the fair market value for all disposals. The Director of Administration will consult with external specialists in establishing the fair market value, where appropriate.
- 6.13.3.** All disposals of TCA with a fair market value in excess of twenty-five (\$25,000) thousand must be approved via a Band Council Resolution at a duly convened Council meeting prior to disposal of the TCA and on the recommendation of the Director of Administration and the Finance and Audit Committee.
- 6.13.4.** All proceeds from the sale or disposal of Paq'tnkek's TCA are to be deposited in the Tangible Capital Asset Reserve Fund.
- 6.13.5.** The difference between the net proceeds on disposal of a TCA and the net book value of the asset should be accounted for as a revenue or expense in the statement of operations.
- 6.13.6.** Any item determined to be of no value or unsafe must be disposed of as waste in an appropriate manner that meets all regulatory or statutory requirements.
- 6.13.7.** Members of Paq'tnkek shall have an equal opportunity to purchase surplus assets through a competitive disposal process.
- 6.13.8.** All items to be sold are on an "as is, where is" basis with no warranties or guarantees expressed or implied

## **7. References and Related Authorities**

Financial Management Board's Financial Management system Standards

- Standard 32.0 Tangible Capital Assets Including Capital Projects  
Financial Management Board's Financial Administration Law Standards
- Standard 21.0 Tangible Capital Assets Including Capital Projects  
GAAP - PS 3150, Tangible Capital Assets

## **8. Attachments**

**Appendix G** – Tangible Capital Assets Categories

**Appendix H** – Presentation and Disclosure Requirements

## 1. Insurance Policy

The First Nation will obtain sufficient insurance coverage for its operations, staff and councillors as part of its overall risk management strategy.

## 2. Purpose

The purpose of this policy is to provide guidance on the establishment and maintenance of an insurance program to ensure material risks are addressed for the First Nation and its councillors, officers, and staff.

## 3. Scope

This policy and procedure applies to Council, the Finance and Audit Committee, the Chief Administrative Officer, the Chief Financial Officer, and all other employees involved in insurance matters at Paqtnkek.

## 4. Responsibilities and Procedure

### 4.1 Council is responsible for:

- Procuring and maintaining in force all insurance coverage that is appropriate and commensurate with the risks under the care or control of Paqtnkek based on the recommendation of the Finance and Audit Committee;
- If Council chooses, procuring and maintaining insurance for the benefit of a councillor or a Paqtnkek officer or their personal representatives against any liability arising from that person being or having been a councillor or an officer.

### 4.2 The Finance and Audit Committee is responsible for:

- Providing its insurance coverage recommendation to Council (The Finance and Audit Committee may retain external expertise to assist in its deliberations given the technical nature of insurance decisions).

### 4.3 The Director of Administration is responsible for:

- Leading and managing the risk identification and assessment process;
- Selecting an insurance broker;
- Evaluating options from insurance providers, as provided by the insurance broker, to address the risks that require insurance coverage;
- Recommending a preferred option to the Finance and Audit Committee and council that meets the needs of Paqtnkek;
- Monitoring insurance coverage expiration and payment dates to ensure coverage does not lapse; and
- On an annual basis reviewing insurance coverage to ensure that it continues to meet the needs of Paqtnkek.

### 4.4 Identify significant material risks

- The Director of Administration, with input from members of the management team, the Finance and Audit Committee and Council, will develop a list of potential significant material risks to Paqtnkek's financial assets, Tangible Capital

Assets and the operations of the First Nation. This will include an examination of:

- i. Potential sources of liability of Paqtnkek arising from its operations;
- ii. Values and use of Property and equipment;
- iii. Values and use of Assets under control of Paqtnkek;
- iv. Potential sources of Liability for individuals such as councillors, officers and staff members of Paqtnkek; and
- v. Other risk areas that could result in a loss to Paqtnkek and could be insured.

#### **4.5 Identify and procure insurance products**

- Based on the risk analysis performed, the Director of Administration will identify the risks where insurance coverage is appropriate.
- In accordance with the Procurement Policy, the Director of Administration will review options from several different insurance providers, as provided by Paqtnkek's insurance broker, and will make a recommendation to the Finance and Audit Committee on which to accept. The Director of Administration's determination of a recommended option will take into consideration the following:
  - i. Cost of the coverage;
  - ii. Attributes and features of the proposed coverage including what is and is not covered and any gaps or exclusions; and
  - iii. Independent advice on the reputation and strength of proposed insurance providers.
- Where appropriate, legal advice will be sought as required to ensure that the terms and conditions of coverage sought are appropriate for Paqtnkek.

#### **4.6 Approval for insurance coverage**

- Council will review the proposed option presented by the Finance and Audit Committee and the Director of Administration and document their approval.
- Once approved by Council, procurement of the insurance coverage will follow Paqtnkek's Procurement and Expenditure Policies.

#### **4.7 Maintenance of insurance coverage**

- The Chief Financial Officer will maintain a schedule of insurance policy expiration dates and payment dates and monitor on a regular basis to ensure that coverage does not lapse.
- The Director of Administration will review insurance coverage on an annual basis to ensure that it continues to adequately address the risks and meet the needs of Paqtnkek.

## **5. References and Related Authorities**

- (1) FMB's Financial Management System Standards
  - a. Standard 19.4 – Insurance
  
- (2) FMB's Financial Administrative Law Standards
  - a. Standard 17.5 – Insurance

## 6. Attachments

None

## 1. Risk Management Policy

- 1.1 The Paq'tnkek Mi'kmaw Nation ("**Paq'tnkek**") will identify, manage, and monitor risks related to the financial management system and the achievement of its goals.

## 2. Purpose

- 2.1 The purpose of this policy is to provide guidance on risk management as part of the integrated planning process and ongoing governance activities of Paq'tnkek, including risk assessments, mitigation plans, and specific business activities that are separately evaluated, managed and monitored.

## 3. Scope

- 3.1 This policy and procedure applies to Council, the Finance and Audit Committee, the Director of Administration, the Chief Financial Officer, and all other employees involved in risk management.

## 4. Definitions

- 4.1 In this Policy:

"**risk**" is defined as anything of variable uncertainty and significance that interferes with the achievement of Paq'tnkek's strategies and objectives.

"**risk tolerance**" means the degree of uncertainty Paq'tnkek is willing to accept in the achievement of its goals.

"**fraudulent financial reporting**" means an intentional act in financial reporting that is designed to deceive users of financial reports and that may result in a material omission from or misstatement of financial reports.

"**fraudulent non-financial reporting**" means the intentional act in non-financial reporting that is designed to deceive users of non-financial reports.

"**misappropriation of assets**" means the theft of Paq'tnkek assets in circumstances where the theft may result in a material omission or misstatement in financial reports.

## 5. Responsibilities and Procedures

### 5.1 Council is responsible for:

- (a) providing input to the annual risk assessment, including consideration of fraud risks;
- (b) reviewing and approving the annual Paq'tnkek Risk Management Plan (Appendix K) and fraud risk assessment;
- (c) subject to the *Paq'tnkek Mi'kmaw Nation Financial Administration Law*, approving:
  - (i) for-profit business activities and ventures;
  - (ii) the investment strategy and investment risk assessment;
  - (iii) loans, guarantees or indemnities;
  - (iv) insurance coverages; and
  - (v) emergency plan.

### 5.2 The Finance and Audit Committee is responsible for:

- (a) providing input to the annual risk assessment including consideration of fraud risks;
- (b) reviewing the risks management plan and fraud risk assessment on a regular basis to ensure risks are adequately identified and monitored.

### 5.3 The Director of Administration is responsible for:

- (a) managing the annual risk assessment process and preparing the Paq'tnkek Risk Management Plan;
- (b) managing the annual fraud risk assessment process and preparing the fraud risk assessment;
- (c) identifying and assessing risks associated with specific material business activities, loans, guarantees, indemnities, investments, general operations, financial reporting and fraud risks;
- (d) preparing risks associated with proposed for-profit business activity, steps taken to limit the risks, approvals required to undertake for-profit activity and monitoring of any approved for-profit activity;
- (e) reviewing and updating the Paq'tnkek Risk Management Plan and fraud risk assessment on a regular basis;
- (f) immediately reporting any significant changes to the Paq'tnkek Risk Management Plan and fraud risk assessment to the Finance and Audit Committee;

- (g) preparing all documentation that assess the qualification of individuals engaged in control activities in Paq'tnkek's financial management systems; and
- (h) obtaining written confirmation from the persons engaged in Paq'tnkek's financial management system that they understand their responsibilities.

**5.4** The Chief Financial Officer is responsible for:

- (a) ensuring all for-profit business activities are separately reported in the monthly, quarterly and annual financial statements and management reports;
- (b) developing and recommending procedures for identifying and mitigating risks for the annual Paq'tnkek Risk Management Plan;
- (c) developing and recommending procedures for identifying and mitigating financial reporting risks and fraud risks;
- (d) reviewing and recommending approval for loan, guarantee or indemnity requests; and
- (e) preparation of Paq'tnkek investment strategy, insurance coverage and emergency plans.

### ***Annual Risk Management Plan***

**5.5** On an annual basis as part of the integrated planning process, a risk assessment will be performed by the Director of Administration. Risks identified will include any risks that could impact Paq'tnkek's achievement of its strategic goals or its operations in general.

**5.6** Risks will be recorded in Paq'tnkek's Risk Management Plan. The Chief Financial Officer, Director of Administration, program directors and own-source revenue managers will analyze the potential impact and likelihood of each risk identified and develop an appropriate risk mitigation plan.

**5.7** The risk management plan must ensure that risks related to specific business activities, loans, guarantees, indemnities, investments, general operations and financial reporting risks are separately addressed, managed and monitored.

**5.8** Responsibility for the mitigation of each identified risk will be assigned to a Paq'tnkek employee.

- (a) The Paq'tnkek Risk Management Plan will be presented to the Finance and Audit Committee for review and recommendation to Council for approval on an annual basis (during the integrated planning review).
- (b) On a quarterly basis, the Director of Administration will review the Paq'tnkek Risk Management Plan with the employees responsible for risk mitigation to update or adjust



as required the risks or mitigation plans. Any significant changes will be reported to and reviewed by the Finance and Audit Committee and reported to the Council.

### ***Fraud Risk Assessment***

- 5.9** On an annual basis as part of the integrated planning process, a fraud risk assessment will be performed by the Director of Administration. (Refer to documents in Appendix I, Appendix J, and the Fraud Risk Assessment template example in Appendix K)
- 5.10** Fraud risk assessment will include identification and assessment of following types of fraud in Paq'tnkek:
- (a) fraudulent financial reporting;
  - (b) fraudulent non-financial reporting;
  - (c) misappropriation of assets; and
  - (d) corruption and illegal acts.
- 5.12** Fraud risk assessment will include identification of opportunities for fraud created by the following:
- (a) ineffective design and monitoring control activities as it relates to the following:
    - (i) unauthorized acquisition, use or disposal of Paq'tnkek assets;
    - (ii) poor management oversight;
    - (iii) management override of internal control; and
    - (iv) ineffective technology systems.
  - (b) Willful violation of laws that could have a material direct or indirect impact on financial reporting.
- 5.13** Fraud risk assessment will also identify the risk of fraud resulting from attitudes of and rationalizations by individuals justifying inappropriate actions.
- 5.14** Fraud risks assessment will include various ways that fraudulent reporting can occur taking into account the following:
- (a) management bias;
  - (b) the degree of estimates and judgements used in financial reporting;
  - (c) possible fraud schemes and scenarios in First Nation communities;

- (d) the geographic region where Paq'tnkek lands are located;
  - (e) the nature of technology and management's ability to manipulate information using that technology;
  - (f) any unusual or complex transactions which are subject to significant management influence; and
  - (g) the vulnerability of internal controls to management override and potential schemes to circumvent existing control activities.
- 5.15** On an annual basis, the Director of Administration will prepare a documentation that assesses the qualification of individuals engaged in fraud risk control activities in Paq'tnkek's financial management system.
- 5.16** On a periodic basis, the individuals involved in the fraud risk controls must confirm in writing that they understand their responsibilities.

***For-profit business activity risk management considerations***

- 5.17** Prior to beginning any for-profit business activity, the Director of Administration will lead the preparation of a business case supporting the activity. The business case should contain, at a minimum, a detailed description of the proposed activity, costs, projected revenues and benefits, funding arrangements, strategic impact, and a risk assessment (including whether the activity will result in a material liability of Paq'tnkek or expose Paq'tnkek's financial assets, property or resources to significant risk).
- 5.18** The risk assessment should address all risks related to the project and the resulting overall impacts on Paq'tnkek.
- 5.19** For each risk, a detailed mitigation plan with assigned responsibility will be developed.
- 5.20** The complete business case and risk assessment will be presented to the Finance and Audit Committee for review and recommendation to Council for approval of the activity via a Council Resolution.
- 5.21** The Director of Administration, or designate, will be responsible for ongoing monitoring of the for-profit business activity. Deviations from the approved business plan will be presented to the Finance and Audit Committee for review and recommendation to Council.
- 5.22** The Director of Administration, or designate must report on the for-profit business activity separately in the monthly reports and quarterly and annual financial statements.

***Loans, guarantees and indemnities***

**5.23** For any loans, guarantees or indemnities, the Chief Financial Officer must annually document his or her evaluation of the risks to Paq'tnkek of extending credit to the requesting individual/group. Risks which should be considered include, but are not limited to, the following:

- (a) ability of the individual or group to repay Paq'tnkek;
- (b) potential for negative impact on Paq'tnkek's reputation;
- (c) extent of other similar situations/agreements Paq'tnkek has entered into;
- (d) ability of Paq'tnkek to honour the guarantee or indemnity should it be required to do so; and
- (e) in the case of a program for lending to members, the risks associated with the program and the costs of administering the program.

**5.24** Approval and management of loans, guarantees and indemnities is detailed in the Loans, Guarantees and Indemnities Policy.

### ***Investment Risk Assessment***

**5.25** Monitoring, reporting and approval of investments strategy and performance is detailed in the Investment Policy.

### ***Financial Reporting Risks***

**5.26** Paq'tnkek will follow the documented procedures in the Financial Reporting and Operations Policy to identify and mitigate the risk of a material misstatement in the quarterly and annual financial statements.

### ***Insurance and Emergency Plans***

**5.27** Separate policies have been developed to provide guidance on risk assessment and management of investments, insurance and emergency planning. Refer to Investments Policy, Insurance Policy and Emergencies Policy.

## **References**

FMB's Financial Management System Standards

- (a) Standard 19.0 Risk Management
- (b) Standard 17.0 Risk Management

Attachments

Appendix I-Freud Risk Assessment

Appendix J-Freud Risk Assessment Guidelines

## Appendix K-Risk Management Plan

## 1. Emergency Policy

An emergency plan addressing the key risks facing Paqtnkek will be documented, updated on an annual basis and communicated to all affected persons.

## 7. Purpose

The purpose of this policy is to provide guidance on preparing for emergencies through a documented emergency plan designed to meet the size, risk and impact of potential emergencies that could affect Paqtnkek and its finances.

## 8. Scope

This policy applies to Paqtnkek's council, committee members, staff and members.

## 9. Definitions

## 10. Responsibilities and Procedures

5.1 Council is responsible for:

- Approving the emergency response plan.

5.2 The Director of Administration is responsible for:

- Creating an emergency planning committee;
- Ensuring that an emergency response plan is prepared and approved;
- Ensuring that the emergency response plan is communicated to the affected Paqtnkek staff and members as part of its implementation along with any necessary training;
- Updating the emergency response plan on an annual basis.

5.3 The emergency planning committee members are responsible for:

- Preparing the emergency plan.

5.4 Analyze the current situation

- The Director of Administration will create an emergency planning committee which will consist of the Director of Administration, Chief Financial Officer, and other key staff across all areas of Paqtnkek as deemed appropriate. External groups, such as representatives from the local fire or police services, will be invited to participate as required;

- The emergency planning committee will conduct a risk assessment to identify all risks that could have an impact on the operations and finances of the First Nation, including potential threats such as fires, natural disasters, and environmental risks.
- For each of the risks identified, the emergency planning committee should determine the likelihood of the threat occurring and the potential impact on the First Nation's operations.

### 5.5 Develop the emergency plan

- Based on the likelihood and impact, the Director of Administration, with input from outside expertise as required, and the emergency planning committee will determine which risks will be addressed in the business continuity plan. The plan should identify critical systems or operations and how these will be managed in the event of an emergency to minimize effects on Paqtnkek's overall operations and finances.
- Areas which should be examined and examples of issues to address for each risk include the following:

#### **Buildings and sites**

- i. How will operations continue if the site is inaccessible or destroyed?
- ii. What safety precautions need to be taken in the event of damage to the building?

#### **Critical equipment**

- iii. Are there backups in place for critical equipment (i.e. an extra item in storage)?
- iv. How quickly can repairs be made and by whom?
- v. Are there outside vendors that can be used to replace an unavailable piece of equipment?

#### **Information Technology**

- vi. Can the computer network be accessed from offsite (e.g. virtual private network)?
- vii. Are there adequate numbers of laptops, cell/satellite phones, etc. to maintain communication remotely during an emergency?
- viii. Are critical systems and databases regularly backed up? Is the backup stored offsite?

## People

- ix. How will Paqtnkek communicate with staff/members during the emergency?
  - x. Do the critical finance and operations staff members have designated and trained back-ups?
  - xi. Is there an offsite location where limited but critical operations can continue during an emergency?
  - xii. Are there any potential health and safety issues associated with a particular risk? How would these be dealt with?
- Responsibilities for each component of the emergency plan will be clearly identified and communicated with the assigned individuals. Alternates for key individuals will be identified and provided with information on their duties.
  - The emergency planning committee will develop an emergency notification procedure to explain how to enact the plan should an emergency occur.
  - Documented approval of the plan will be obtained from council.

### 5.6 Implement the plan

- The Director of Administration will develop a communication strategy to ensure all affected staff and Paqtnkek members have access to the emergency plan.
- All staff who have been assigned responsibilities within the emergency plan will be provided training to carry out their role in the event of an emergency.
- The emergency plan will be tested by the emergency planning committee. Testing could include mock disaster exercises, communication and off site computing tests, fire drills, etc.
- Emergency plan documentation will be maintained at all Paqtnkek's site locations and key staff members will keep a copy at home. It should include all required information to enact the plan (i.e. Emergency contact & responsibilities lists, vendor lists, fire drill routes, etc.).

### 5.7 Annual review

- On an annual basis, the emergency planning committee and key operational managers will review the plan and associated documentation to ensure it remains relevant and up to date. Updates will be performed and new versions of the plan and associated documentation distributed to the sites and individuals noted above.
- Significant changes to the plan will be approved by Council.

## **11. References and Related Authorities**

- (1) FMB's Financial Management System Standards
  - a. Standard 19.5 - Emergencies

## **12. Attachments**

- (1) Appendix L – Examples of risks to consider
- (2) Appendix M – Sample risk assessment template
- (3) Appendix N – Emergency planning resources
- (4) Appendix O – Emergency plan template



# 1. Financial Management System Improvement Policy

- 1.1 Areas for improvement in the financial management system will be managed, tracked and resolved on an ongoing basis as identified by the Chief Financial Officer and annually through internal assessments of critical activities.

## 2. Purpose

- 2.1 The purpose of this policy is to provide guidance on the Paq'tnkek Mi'kmaw Nation's ("Paq'tnkek") continual improvement of its financial management system.

## 3. Scope

- 3.1 This policy applies to the Chief Financial Officer, Finance and Audit Committee, and the Financial Management System Assessment Committee.

## 4. Definitions

- 4.1 In this Policy:

**"Internal Assessment"** is a review of an activity/process by an independent Paq'tnkek employee (i.e. an individual not responsible for or involved in the activity) to determine the effectiveness and sufficiency of controls related to the specific activity or process; and

**"Assessment Committee"** means the Financial Management Assessment Committee composed of the Director of Administration, the Chief Financial Officer, and other employee(s) appointed by the Finance and Audit Committee.

## 5. Responsibilities and Procedures

- 5.1 If Paq'tnkek is a borrowing member, the Council is responsible for ensuring that Paq'tnkek takes measures as soon as practicable to rectify any gaps or areas of non-compliance between Paq'tnkek's financial management systems and practices, and First Nations Financial Management Board Standards.

- 5.2 The Finance and Audit Committee is responsible for:

- (a) appointing employees to the Assessment Committee;
- (b) scheduling the dates for required meetings of the Assessment Committee;
- (c) reviewing reports from the Assessment Committee; and

(d) reporting to Council as soon as possible on any gaps or areas of non-compliance between Paq'tnkek's financial management systems and practices and First Nations Financial Management Board Standards and actions taken to bring Paq'tnkek into compliance.

**5.3** The Assessment Committee is responsible for:

6. planning, scheduling, and conducting internal assessments;
7. ensuring issues or concerns identified through the internal assessment process are resolved;
8. holding an annual meeting to review the financial management system for the previous fiscal year;
9. If Paq'tnkek is a borrowing member, performing self-assessments of Paq'tnkek's financial management systems and practices against First Nations Financial Management Board's Standards and monitoring to ensure that any gaps or areas of non-compliance are rectified as soon as possible;
10. reporting to Council, the Finance and Audit Committee, and the external auditors on the results of their reviews.

**5.4** The Chief Financial Officer is responsible for:

- (a) ensuring issues and concerns regarding the financial management system are collected, tracked, managed, reported and resolved as required in this policy; and
- (b) participating on the Assessment Committee.

#### ***Financial Management System Assessment Committee***

**5.5** The Assessment Committee is composed of the Chief Financial Officer, Director of Administration, and other finance and operations employee(s) designated by the Finance and Audit Committee.

**5.6** The Assessment Committee will meet at least once annually.

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

**5.8** The Assessment Committee agenda items will include, but are not limited to, the following:

- (a) review of the system's processes and procedures;
- (b) review of applicable laws for compliance;

- (c) review of external and internal assessment results;
- (d) review of identified areas previously identified for improvement and identify any improvements;
- (e) review of all committees' terms of reference;
- (f) review of Paq'tnkek's corporate and personnel organization charts.

**5.9** The Assessment Committee must prepare a report for distribution to the Finance and Audit Committee and external auditors that includes the following:

- (a) A statement of whether the financial management system has, during the review period, been operated in compliance with all applicable laws, policies, procedures and directions;
- (b) Recommendations for any changes to those laws, policies, procedures and directions that, in the opinion of the Committee, would be beneficial to the financial management system.

### ***Internal Assessments***

**5.10** At the beginning of each fiscal year, the Assessment Committee will prepare an assessment plan which identifies critical or significant activities which should undergo an internal assessment in the current year. The criteria for identifying these issues are as follows:

- (a) risk – likelihood and potential impact if the process/controls in a specific area are not functioning properly; and
- (b) activities with previously identified problems – any areas that have been identified in past internal assessments with recurring issues will be considered for review in the current year.

**5.11** The assessment plan will contain a schedule and timeframe for completion of activity identified for assessment.

**5.12** The assessment plan proposed by the Assessment Committee will be approved by the Finance and Audit Committee and documented in the Finance and Audit Committee minutes.

**5.13** The individual performing the internal assessment (“the Assessor”) will be independent of the operations or activities being assessed. This individual will be assigned by the Assessment Committee and can be a Paq'tnkek employee so long as the individual is independent (an individual not responsible for or involved in the activity) of the operation or activity under review.

- 5.14** A documented report will be prepared by the Assessor for each internal assessment performed. The report will contain the Assessor's findings and resolutions of any concerns identified in the findings.
- 5.15** Reports will be issued to the Chief Financial Officer, to program directors and own-source revenue managers, the Assessment Committee and the Finance and Audit Committee.

### ***Continual Improvement Process***

- 5.16** The Chief Financial Officer will be responsible for ensuring that any concerns or issues regarding the financial management system of Paq'tnkek and brought to his/her attention are tracked, managed, and resolved on an ongoing basis.
- 5.17** Based on the Chief Financial Officer's analysis of the concern or issue, the following steps will be taken:
- (a) for items that relate to improvements in efficiency and/or effectiveness, the Chief Financial Officer will consider the cost versus benefit of implementing the changes and act accordingly;
  - (b) for any other issues, such as minor instances of non-compliance with policy, the Chief Financial Officer will take the necessary steps to remediate and will report the findings and actions taken to the Director of Administration; and
  - (c) all items will be tracked and records maintained of all actions taken.
- 5.18** On a yearly basis, a report of the concerns or issues raised, actions taken, and any remaining potential process improvement opportunities will be submitted to the Assessment Committee.

### ***Review of Financial Administration Law***

- 5.19** Annually, the Finance and Audit Committee will review the *Paq'tnkek Mi'kmaw Nation Financial Administration Law*
- (a) to determine if it facilitates effective and sound financial administration of Paq'tnkek; and
  - (b) to identify any amendments to this Law that may better serve this objective.
- 5.20** The Finance and Audit Committee will report to the Council on the results of its review including any recommendations it makes for amendments to the *Paq'tnkek Mi'kmaw Nation Financial Administration Law*.

### ***Membership Information or Involvement***

- 5.21** In the event that recommendations from the Finance and Audit Committee require amendments to the *Paq'tnkek Mi'kmaw Nation Financial Administration Law*, Council will ensure that Paq'tnkek members are provided the information or involved in consideration of

any proposed amendments to the Law as required in the *Paq'tnkek Mi'kmaw Nation Financial Administration Law*.

### **Requirements Specific to Borrowing Members**

- 5.22** The Assessment Committee will determine whether Paq'tnkek is in compliance with First Nations Financial Management Board Standards. This will be performed through a self-assessment that compares Paq'tnkek's financial management systems and practices to First Nations Financial Management Board's Standards.
- 5.23** The self-assessment should include the following:
- (a) identification of all significant activities and a schedule of critical dates for completion of these activities;
  - (b) assignment of the responsibilities and authority for all significant activities;
  - (c) a description of all records to be maintained including records of response to any non-compliance;
  - (d) any gaps or areas of non-compliance between Paq'tnkek's financial management systems and practices and First Nations Financial Management Board Standards will be corrected as soon as possible; and
  - (e) the results of the self-assessment exercise and actions being taken to remediate the gaps or areas of non-compliance identified will be reported to the Finance and Audit Committee by the Chief Financial Officer.
- In addition to the self-assessment process to be conducted by the Assessment Committee, if the Chief Financial Officer becomes aware of any circumstances that could be considered a gap or area of non-compliance between Paq'tnkek's financial management systems and practices and First Nations Financial Management Board Standards, the Chief Financial Officer will report these circumstances to the Finance and Audit Committee as soon as practicable along with the actions to be taken to remedy the gap or area of non-compliance.

## **2. References and Related Authorities**

The FMB's Financial Management System Standards

- (a) Standard 25.0 Board Standards
- (b) Standard 28.0 Financial Management System Improvement

The FMB's Financial Administration Law Standards

- (a) Standard 28.0 FAL Review
- (b) Standard 23.0 Board Standards

## **3. Attachments**

None

### Appendix A – Sample planning and budgeting schedule template

Task	Individual(s) responsible	Deadline
Plan and hold annual planning kickoff meeting to present major budget policies, multi-year financial plan direction and guidelines for the strategic plan.	Senior Manager, Senior Financial Officer, Finance and Audit Committee, Council	November 15
Inspect and review of all Tangible Capital Assets to establish or update information.	Senior Manager	November 30
Each Department prepares a thorough analysis and projection of all expenses for the budget year	Department Heads; Senior Financial Officer	December 1
Consolidate all draft budgets including capital budget into one master budget;	Senior Financial Officer	December 15
Multi-year plan and strategic plan developed or updated.	Senior Financial Officer; Senior Manager, Senior officers	December 15
Schedule of annual routine maintenance, other than Rehabilitation, for Tangible Capital Assets. Five (5), ten (10) and thirty (30) year forecasts for the estimated cost for Rehabilitation or	Senior Financial Officer	December 31

replacement of the Tangible Capital Assets. The proposed budget for Rehabilitation and replacement of Tangible Capital Assets for the next fiscal year.		
Senior management reviews draft budgets, multi-year plan, and strategic plan and discusses (iterative process) with Senior Financial Officer.	Senior Manager; Senior Financial Officer; Tax Administrator;	January 15
Present budget, multi-year plan, and strategic plan to Finance & Audit Committee for review, discussion, and modification.	Senior Financial Officer, Senior Manager, Finance & Audit Committee.	January 31
Incorporate Finance & Audit Committee changes to any of Planning Documents	Senior Financial Officer, Senior Manager, Finance & Audit Committee.	February 15
Inform the membership or involve the membership in consideration of the annual budget and the multi-year financial plan as required in the Financial Administration Law or Council policy including giving notice to the membership of the Council meeting when the budget and multi-year financial plan are presented for approval.	Senior Manager, Senior Financial Officer	March 1
Council receives budget/ multi-year plan / strategic plan and recommendation from the Finance and Audit Committee. Council approves budget/multi-year plan/strategic plan based on recommendation from the Finance and Audit Committee.	Finance and Audit Committee; Council	March 31
Distribute approved budget and strategic plan to Department Heads and any other appropriate staff.	Senior Financial Officer	April 15
Prepare and submit to the Finance and Audit Committee for review a draft	Senior Financial Officer	June 15

amendment of the component of the annual budget respecting the local revenue account.		
Finance and Audit Committee reviews the draft amendment of the component of the annual budget respecting local revenue account and recommend an amendment to the annual budget to the Council for approval.	Finance and Audit Committee	June 30
Council approves amendment of the component of the annual budget respecting the local revenue account.	Council	July 15



**Appendix B – Financial Institution Account Reconciliation Template**

**[◆] First Nation**

**Financial Institution Account Reconciliation**

Month: xxxx, 20xx

Financial Institution name: ABC Bank

Financial Institution account name: xxxx, xxxxx

Financial Institution account #: 000-0000-000

GL #: 12345

---

Ending bank balance		\$	xxxx.xx
ADD: Deposits in transit	\$xx.xx		xx.xx
LESS: Outstanding cheques			

	<u>No.</u>	<u>Cheque</u>	<u>Amount</u>	
	###		xxx.xx	
	###		xx.xx	
	###		xxx.xx	
				(xxx.
Total outstanding cheques			xxx.xx	xx)
				\$xxx
<b>Adjusted bank balance</b>				x.xx

Ending general ledger (GL) balance		\$	xxxx.xx
ADD/LESS: Unrecorded transactions			
	Monthly bank fee		(x.xx)
			\$xxx
<b>Adjusted GL balance</b>			x.xx
<b>Difference:</b>			x.xx

Reco  
rded? (✓)

Prepared by: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

Approved by: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

**Appendix C – Purchasing Approval Limits**

Purchase Values <i>[amounts used for illustration only – will vary depending on the First Nation’s situation]</i>		Process to be followed:	Who is responsible:
Beyond budgeted amount per department			
Greater than \$0	Less than or equal to \$2500	Low Value <sup>2</sup>	Division Manager <sup>1</sup>
Greater than \$2500	Less than or equal to \$5,000	Moderate Value <sup>2</sup>	Senior Manager Senior Financial Officer
Greater than \$5,000		High value: Tender Call/Request for Proposal	Council, Senior Manager and Senior Financial Officer

1. Division Manager = Department Manager or equivalent.

2. Low Value = Contractual arrangement for low value procurement process: in this, employees with appropriate authority as set out in this policy may sign an invoice indicating that the goods or services have been received and the contractor/supplier may be paid.

3. Informal Quotation = obtaining informal quotes where practicable through advertisements, direct solicitations to contractors/suppliers and other methods in effort to compare prices.



## Appendix D – Sample Contractor/Supplier Evaluation Template

Supplier Evaluation				
Organization name:				
Service / goods to be provided:				
RFP / Tender reference #:				
Value of contract:				
Criteria	Details / Comments	Value	Score	
1	RFP or other requirements (list here) xxx xxx xxx	<i>Describe any areas of concern or where requirements were not met....</i>	##	##
2	Qualifications and experience	<i>Do they have the appropriate qualifications and experience to perform the work?</i>	##	##
3	Terms and conditions	<i>Are their terms and conditions acceptable to the First Nation?</i>	##	##
4	Has the organization worked previously with the First Nation? Provide details and an evaluation of the work.	<i>Evaluate the First Nation's previous experience with this supplier</i>		
5	xxxx			

6	xxxx		
7	xxxx		
8	xxxx		
9	xxxx		
10.	1	xxxx	
1.	1	Price	<i>Evaluation of the price, results of previous criteria.</i>
2.	1	Other considerations?	<i>Anything not covered above that should be included in evaluation the supplier i.e. inclusion of local content</i>
Evaluation		Score	##/##
Overall comments / recommendation:			%

**Attachments:**

6. Contractor/Supplier response to RFP/Tendering
7. Results of any previous contractor/supplier evaluations
8. Other supporting information as required

## Appendix E – Local Content

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

### **Pre-tender Considerations for Local Content**

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

- b. The extent of labour and trades available locally
- c. Quantities and firm prices of locally available materials
- d. Local equipment available and firm rental rates
- e. Training requirements and trade apprenticeships

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

## Appendix F - Sample Reimbursable Expenses Claim Template

Employee name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Reason for claim:

*Description of the claim and why it was necessary for the First Nation's business.*

*Declare any third party funding / reimbursements received as a result of this activity.*

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

Receipt No.	Date	Description	Type of expense	Amount	Exchange rate	CAD amount
1, 2	Sept 1	Return flight to Toronto Aug 7-9	Airfare	\$500.00	-	\$500.00
			Taxi			
			Hotel			
			Per diem / incidentals			
			Membership			
			Etc.			
<b>Total Claimed:</b>				xxx .xx		\$xxx.x x
<b>Less: travel advance (if applicable)</b>						(\$xxx. xx)



<b>Total to be reimbursed:</b>	<b>\$xxx.x</b> x
--------------------------------	---------------------

**Employee signature:**

**Date:**

\_\_\_\_\_

\_\_\_\_\_

**Approval signature:**

**Date:**

\_\_\_\_\_

\_\_\_\_\_

## Appendix G – Tangible capital asset categories

The following table lists capital asset categories and examples of assets and costs included in each category. This is not intended to be a complete list and is for illustrative purposes only. The decision by the First Nation to capitalise costs as tangible fixed assets must be made in reference to PSAS accounting requirements, specifically those contained in PS 3150, *Tangible Capital Assets*.

Capital Asset Category	Examples of Capital Assets
Land	<ul style="list-style-type: none"> <li>l. land acquired for parks and recreation and recreation, conservation purposes, building sites and other programs</li> <li>m. land purchased for construction of road surface, drainage areas and allowances or future expansions</li> </ul>
Land improvements	<ul style="list-style-type: none"> <li>n. fencing and gates, parking lots, paths and trails, landscaping, swimming pools and playgrounds</li> <li>o. Site preparation in advance of commercial or residential development</li> </ul>
Buildings	<ul style="list-style-type: none"> <li>p. buildings with fireproofed structural steel frames with reinforced concrete or masonry floors and roofs</li> <li>q. buildings with reinforced concrete frames and concrete or masonry floors and roofs</li> <li>r. buildings with masonry or concrete exterior walls, and wood or steel roof and floor structures, except for concrete slabs on grade</li> <li>s. operational storage facilities, sheds, small buildings, salt sheds, asphalt tanks, inventory storage buildings and pump houses</li> </ul>
Building improvements	<ul style="list-style-type: none"> <li>t. major repairs or upgrades that increase the value or Useful Life of the building or which reduce future operating costs such as structural changes, installation or upgrade of heating and cooling systems, plumbing, electrical, telephone systems</li> </ul>
Leasehold and occupancy improvements	<ul style="list-style-type: none"> <li>u. improvements that increase the functionality of leased or similar accommodations (refer to the assets listed under the "building improvements" category)</li> </ul>
Operating equipment	<ul style="list-style-type: none"> <li>v. equipment specific to maintenance, shop and sanitation, laboratories, medical, dental, safety, appliances, scientific research, hospitals,</li> </ul>

	education and communication such as forklifts, welding machines, utility trailers, security systems, snowploughs, radios, freezers, refrigerators, washers, meters, defibrators
Heavy equipment	w. power and construction equipment such as graders, tractors, cranes, drill rigs, caterpillars, and trucks one tonne and over
Vehicles	x. used primarily for transportation purposes such as automobiles, trucks under one tonne, vans, boats, all-terrain vehicles, snowmobiles, motorcycles, and ambulances
Marine vessels - vessels and towers	y. construction and replacement of vessels and towers
Computer software	z. off the shelf software and related upgrades, software licenses after removing any maintenance or similar charges
Computer hardware	aa. servers, voice logging equipment, scanners, printers, hard drives, external hard drives, and plotters
Office furniture and equipment	bb. desks, tables, chairs, filing cabinets, fax machines, photocopiers, videoconferencing stations, projectors, and digital cameras
Assets under construction	cc. roads, buildings or other Tangible Capital Assets that are under construction and have not yet been placed into service
Roads/Streets	dd. roads or streets ee. light systems (traffic, pedestrian), signals for railways, new signage initiative, traffic calming (e.g. rumble strips, speed bumps)
Water and sewer infrastructure	ff. dams, drainage facilities, docks, sewer systems, sewage lagoons, marinas, reservoirs, pumping facilities, tanks and associated infrastructure
Other infrastructure	gg. landfills, tanker bases, helipad, dump stations

## Appendix H – Presentation and disclosure requirements

The following requirements relate to the preparation of the First Nation's annual financial statements in accordance with PSAS and are based on PS 3150, *Tangible Capital Assets*. Readers are advised to consult with the current version of this accounting standard for the most recent accounting and disclosure requirements.

The financial statements should disclose, for each major category of Tangible Capital Assets and in total:

- (2) cost at the beginning and end of the period;
- (3) additions in the period;
- (4) disposals in the period;
- (5) the amount of any write-downs in the period;
- (6) the amount of amortization of the costs of Tangible Capital Assets for the period;
- (7) accumulated amortization at the beginning and end of the period; and
- (8) net carrying amount at the beginning and end of the period. [APRIL 2005]

Major categories of Tangible Capital Assets would be determined by type of asset, such as land, buildings, equipment, roads, water and other utility systems, and bridges.

Financial statements should also disclose the following information about Tangible Capital Assets:

- a. the amortization method used, including the amortization period or rate for each major category of tangible capital asset;
- b. the Net Book Value of Tangible Capital Assets not being amortized because they are under construction or development or have been removed from service;
- c. the nature and amount of contributed Tangible Capital Assets received in the period and recognized in the financial statements;
- d. the nature and use of Tangible Capital Assets recognized at nominal value;
- e. the nature of the works of art and historical treasures held by the government; and
- f. the amount of interest capitalized in the period.

Identified Fraud Risk	Likelihood	Significance	People / Department	Existing Anti-Fraud Controls	Assessment of Anti-Fraud Controls	Fraud Risk Response
FMB's Financial Administration Law Standards Conflict of Interest – Contracts improperly awarded	Remote	Material	Accounting	Council reviews and approves awarded contracts prior to payment.	Evidenced by council meeting minutes.	Risk of council override exists.
Recording of rent receipts in incorrect periods	Remote	Insignificant	Accounting	Year-end reconciliation of the rent revenue and receivables	Risk of override still exists	No further action, receipts are minimal.
Unauthorized payroll adjustments	Reasonably Possible	Material	Payroll	Finance Manager approves periodic payroll registers and reviews one-time payment queries	Adequately mitigated by control	N/A

**Appendix I – Fraud Risk Assessment**

[The following is an example of a fraud risk assessment. This example does not list all possible fraud risks that a Paq'tnkek may have. Each First Nation is encouraged to brainstorm to come up with their own identification of risks by considering questions noted above.]

- 1. Identified Fraud Risks:** This column should include a full list of the potential fraud risks and schemes that may face Paq'tnkek. This should be formed by discussions with employees, officers and Councilors and brainstorming sessions.
- 2. Likelihood of Occurrence:** To design an efficient fraud risk management program, it is important to assess the likelihood of the identified fraud risks so that Paq'tnkek establishes proper anti-fraud controls for the risks that are deemed most likely. For purposes of the

assessment, it should be adequate to evaluate the likelihood of risks as remote, reasonably possible, and probable.

3. **Significance to Paq'tnkek:** Quantitative and qualitative factors should be considered when assessing the significance of fraud risks to Paq'tnkek. For example, certain fraud risks may only pose an immaterial direct financial risk to Paq'tnkek, but could greatly impact its reputation, and therefore, would be deemed to be a more significant risk. For purposes of the assessment, it should be adequate to evaluate the significance of risks as immaterial, significant, and material.
4. **People and/or Department Subject to the Risk:** As fraud risks are identified and assessed, it is important to evaluate which people inside and outside Paq'tnkek are subject to the risk. This knowledge will assist in tailoring its fraud risk response, including establishing appropriate segregation of duties, proper review and approval chains of authority, and proactive anti-fraud procedures.
5. **Existing Anti-fraud Internal Controls:** Identify controls currently in place to manage the identified fraud risk after the risk has been assessed for likelihood and significance.
6. **Assessment of Mitigating Controls:** Paq'tnkek should evaluate whether the identified controls are operating and mitigating fraud risks as intended.
7. **Fraud Risk Response:** Residual risks should be evaluated by the organization and fraud risk responses should address remaining risk. The fraud risk response could be implementing additional controls.

## Appendix J – Fraud Risk Assessment Guidelines

This document provides examples and considerations for Paq'tnkek with respect to the risk of fraud and antifraud programs and controls and includes:

4. Performing Fraud Risk Assessments
5. Creating Control Environment
6. Designing and Implementing Antifraud Control Activities
7. Sharing Information and Communication
8. Monitoring Activities

### **Performing Fraud Risk Assessments**

Fraud risk assessments are designed to identify and evaluate fraud risk factors.

Fraud risk assessments are more than a process to identify risks of theft and should also address other frauds, including fraudulent financial reporting, misappropriation of assets and corruption and illegal acts. The fraud risk assessment involves an expanded focus on considerations of where fraud risk factors may exist within the entity and the potential fraud schemes that could be perpetrated.

### ***Risk Assessment Team***

A good risk assessment requires input from various sources. The Director of Administration has the primary responsibility for performing fraud risk assessments. Ideally, the Director of Administration should identify a risk assessment team to conduct the risk assessment. Paq'tnkek's employees with different knowledge, skills, and perspectives should be involved in the risk assessment including the:

- Director of Administration and Chief Financial Officer;
- finance employees who are familiar with the financial reporting process and internal controls; and
- external legal or accounting advisors.

The Finance and Audit Committee should have an active role in the oversight of process, understanding identified fraud risks, and evaluating Paq'tnkek's implementation of antifraud measures. The Finance and Audit Committee, together with Director of Administration and the risk assessment team, should also consider the potential risk of management's override of controls or other inappropriate influence over the financial reporting process.

### ***Questions to Consider***

The following is a list of some of the questions for management to consider when completing Fraud Risk Assessment template.

- Are there events or conditions that indicate an incentive or pressure to commit fraud?

- Are there circumstances that allow employees and councillors to commit fraud? These opportunities are greatest in areas with weak internal controls and a lack of segregation of duties.
- Are there opportunities for unauthorised acquisition, use or disposal of assets, altering Paq'tnkek's reporting records or committing other inappropriate acts?
- Are there indications of an attitude, character or set of ethical values that allow employees or councillors to commit fraud?
- Have there been past allegations of fraud, including against Paq'tnkek business entities or partnerships?
- Are there unusual financial trends that could play into enabling fraudulent activity to occur?
- Does the fraud risk assessment include the vulnerability of internal controls to management override and potential schemes to circumvent existing controls?
- What is the degree of estimates and judgement used in financial reporting that may result in fraudulent reporting?
- What is the nature of technology and management's ability to manipulate information?
- Are there unusual or complex transactions subject to significant management influence?
- Do the Finance and Audit Committee members have sufficient oversight of management's antifraud programs and controls?
- Does Paq'tnkek have a code of conduct with provisions related to conflicts of interests, related-party transactions, illegal acts and fraud, made available to all personnel? Do personnel have to confirm their individual compliance with this code of conduct on an annual basis?
- Do the chief and council have a ethical behaviour at the top? Does the management assess leadership Paq'tnkek to determine if the culture encourages ethical behaviour, consultation and open communication? This assessment can be made through anonymous surveys, inquiries, interviews or by external auditors during their audit engagements.
- Does Paq'tnkek have whistleblower policy with adequate procedures to handle anonymous complaints and accept confidential submission of concerns about questionable accounting, control and financial and non-financial matters?
- Does the management design and implement preventative and detective controls? Preventative controls are designed to stop fraud from occurring and detective controls are designed to identify the fraud if it occurs.
- Are fraud risk assessments updated periodically to include considerations of changes in operations, new information systems, changes in roles and responsibilities and revisions to identified fraud risks within Paq'tnkek?
- Is information on ethics and management and council's commitment to antifraud programs and controls effectively communicated throughout to all employees?



## **Creating a Strong Control Environment**

Does Paq'tnkek's workplace culture discourage fraud and encourage ethical behaviour?

Control environment factors include the integrity, ethical values, and competence of Paq'tnkek's management and employees and have a pervasive effect on Paq'tnkek's operations and governance structure.

A workplace culture and work environment that promotes open communication, consultation and ethical behaviour should:

- create and maintain a culture of honesty, high ethical standards, and behaviour;
- provide discipline for violations of the code of conduct/ethics;
- set an appropriate tone for Paq'tnkek's attitude towards fraud and fraud prevention; and
- promote effective controls to prevent, deter and detect fraud.

All employees of Paq'tnkek have a role in the control environment.

## **Designing and Implementing Antifraud Control Activities**

After fraud risk assessments are performed, the Director of Administration must take steps to mitigate the risks where needed.

Special consideration should be given to the risk of override of controls by management and council. Some antifraud programs and controls will include active oversight from the Finance and Audit Committee, whistleblower programs and system to receive and investigate anonymous complaints, and reviewing financial reporting risks for evidence of possible material misstatements due to fraud.

## **Sharing Information and Communication**

Effective communication is an important element to all phases of the implementation of antifraud programs and controls.

Paq'tnkek's code of ethics is often the first line of communication concerning its philosophy on fraud prevention. Other communication methods can include Paq'tnkek's newsletters, training and through presentations led by Council or management.

## **Monitoring Activities**

The Director of Administration and the Finance and Audit Committee should monitor the quality and effectiveness of antifraud programs and controls. Examples include:

- reconciliations of operating and financial reports;
- regular communications with employees as well as external auditors; and

- periodic planning and training sessions to identify fraud risks and assess implementation effectiveness of preventative and detective controls.

Some monitoring activities can be automated and may involve information technology systems. Effective antifraud programs are dynamic, where the information obtained through the monitoring process is fed back into the risk assessment and the entire process begins anew.

**Appendix K – Risk Management Plan**

	Identified Risks	Potential Impact	Likelihood	Significance	Mitigation / action plan	Individual responsible
	<i>Risk category (i.e. For-profit business, loans, indemnities, investments, insurance and emergency)</i>					
	<i>Provide a description of the risk and date identified</i>	<i>Provide estimates of the impact of the risk – quantitative/ qualitative as appropriate</i>	<i>An estimation of the likelihood, from remote, reasonably possible, and probable.</i>	<i>Significance of the potential impact identified as immaterial, significant, and material.</i>	<i>Specific steps to either reduce or eliminate the impact/likelihood of the risk</i>	<i>Name of who will implement and monitor the action plan</i>
	<i>Risk Category (i.e. For-profit business, loans, indemnities, investments, insurance and emergency)</i>					

Appendix L – Examples of risks to consider

Types / Causes	Examples	
<b>Natural Events</b>	Flooding Earthquake Hurricane Landslide	Snow / ice storm Tornado Windstorm
<b>Human Events</b>	Disease outbreak Bomb threat Computer crime / theft Hazardous-material spill Fire Fraud Hacking Human error	Extortion / embezzlement Loss of key personnel Non-compliance (ignorance or willful) Riot / civil disorder Sabotage Labour strike Theft / loss
<b>Technological Events</b>	Alteration of data Alteration of software Disclosure Hardware failure Power failure / fluctuation	Explosion / Fire Malicious code Software error Telecom outage Vandalism / cyber-vandalism

Appendix M – Sample risk assessment template

Risk	Description / Operations affected	Imp act  1 low – 5 high	Like lihood  1 low- 5 high	Over all risk level  (average of impact/ likelihood)	Plan required?
Fire at the ♦ First Nation office	<ul style="list-style-type: none"> <li>• Building could be inaccessible for a long period</li> <li>• Financial records may be destroyed</li> <li>• IT systems damaged / destroyed</li> <li>• Threat to health and safety of staff</li> </ul>	5	1	3	Yes

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## Appendix N – Emergency plan resources

### Plan creation resources:

*Government of Nova Scotia – Community Emergency Planning Toolkit*

[https://novascotia.ca/dma/emo/preparing\\_for\\_emergencies/](https://novascotia.ca/dma/emo/preparing_for_emergencies/)

*Government of Alberta – Alberta Emergency Management Agency*

[http://aema.alberta.ca/tr\\_index.cfm](http://aema.alberta.ca/tr_index.cfm)

*Government of Manitoba – Emergency Measures Organization*

<http://www.gov.mb.ca/emo/community/index.html>

*Government of Ontario – Emergency planning guidance for municipalities*

<http://www.mah.gov.on.ca/AssetFactory.aspx?did=5413>

[First Nation]

## **EMERGENCY PLAN**

**[2013]**

Last updated: [xx, Month, Year]

Approved by Council: [xx, Month, Year]



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### Appendices

- (1) First Nation Contact Information (Key staff members)
- (2) Emergency organizations contact information (i.e. Emergency Services – Fire, Police, Hospitals)
- (3) Evacuation routes and shelters
- (4) List of key suppliers and contact information
- (5) Specific plans for each major risk
- (6) [Other appendices as appropriate for the First Nation]

# 1. Introduction

## 1.1 Purpose

The purpose of this plan is to ensure that the ♦ First Nation has the tools and resources to plan for, react to, and resolve emergency situations that could affect finances, operations, and/or the health and safety of employees.

## 1.2 Scope

This policy applies to all First Nation staff, committee, and Council members.

## 1.3 Emergency Planning Committee

The Emergency Planning Committee meets X times per year to create, maintain and improve the emergency plan to ensure it remains relevant and useful for the ♦ First Nation. Committee members represent all functions of the ♦ First Nation and include:

Name – Senior Manager (Chair)	Name – Title/Information Technology
Name – Senior Financial Officer	Name – Title/Community Relations
Name – Title/Human Resources	Name – Title/Function
Name – Title/Property Management	Name – Title/Function

## 1.4 External planning resources

The Emergency Planning Committee works with the following external individuals/agencies to provide advice and input in the emergency planning process:

Name – Officer, Local Police Department	Name – Title/Insurance provider
Name – Officer, Local Fire Department	Name – Title/Function
Name – Nurse, Public Health	Name – Title/Function
Name – Hydro/Electricity/Utility provider(s)	Name – Title/Function

## 2. Emergency Events

### 2.1 Risk Assessment

	Description
	Forest fires – <i>provide detail</i>
	Disease outbreak – <i>provide detail</i>
	Natural disaster – <i>provide detail</i>
	Environmental risk – <i>provide detail</i>

Based on an assessment of the risks facing the ♦ First Nation and the likely impact of those risks, the following have been identified as part of our plan:

Other requirements (regulatory, specific to the First Nation):

*List*

## 3. Emergency Operations

### 3.1 Authority

The following individuals/groups have the authority to declare an emergency and enact the contents of this plan:

- f. Council
- g. Name, Senior Manager
- h. Name, Backup for Senior Manager.

### 3.2 Emergency Responsibilities

Senior Manager

- (2) Creating an emergency planning committee;
- (3) Ensuring that an emergency response plan is prepared and approved;
- (4) Ensuring that the emergency response plan is communicated to the affected First Nation staff and members;
- (5) Updating the emergency response plan on an annual basis.
- (6) *Others, as determined by the First Nation, including 'Alternates' for key individuals...*

### Emergency Planning Committee

*Describe...*

### **Other Support Staff**

*Individuals within the First Nation that have been assigned emergency planning responsibilities...*

### **External Organizations**

*Such as Fire, Police, Health care...*

## **3.3 Emergency Assessment and Notification**

Once an emergency is declared, the following individual(s) and organization(s) will be notified:

- b. Individual/Organization – contact information
- c.

## **3.4 Emergency Declaration and Communications Plan**

- Describe how First Nation staff and Council Members will be informed and what communication tools (cell phones, email, radio, etc.) will be used to do so.
- Describe how any outside parties will be informed of an emergency, if applicable.
- Describe how

## **3.5 Incident Response**

- Describe the specific response to each of the major risks identified.

# **4. Facilities and Equipment**

## **4.1 Building(s):**

- Describe how the building will be protected or evacuated in an emergency, any safety precautions necessary, etc.

## **4.2 Information technology:**

- Describe how critical systems and computer hardware/software will be protected.
- Describe what will happen if the First Nation's computers are destroyed, where backups are located.

## **4.3 Records back up**

- State the name of the individual responsible for backing up the accounting system and other critical records such as payroll.

- Describe the backup procedures for records of key financial data (such as bank account records, computer system backups, insurance policies, etc.). State where the backups are kept, both onsite and offsite.

## **5. Recovery Operations**

- Describe the process for recovering operations after an emergency.

## **6. Emergency Plan Maintenance**

### **6.1 Documentation**

- Describe how documentation will be maintained, where it will be stored, and how it will be distributed to staff.

### **6.2 Documentation**

- Describe type and frequency of drills (quarterly). These could include mock disaster exercises, fire drills, communication and offsite computing tests, etc.

### **6.3 Program Assessment**

This plan will be reviewed and updated by the Emergency Planning Committee on an annual basis. A revised version will be communicated to all staff, committee, and Council members. The Emergency Planning Committee will coordinate and communicate with external parties (i.e. police) as required.

### **6.4 Training**

- Define any training requirements for staff and specific training required for any individuals assigned emergency responsibilities.

### **6.5 Periodic Emergency Drills**

- Define frequency of emergency drill requirements for staff.

## **Appendices:**

First Nation Contact Information (Key staff members)

Emergency organizations contact information (i.e. Emergency Services – Fire, Police, Hospitals)

Evacuation routes and shelters

List of key suppliers and contact Information

Specific plans for each major risk

*Other appendices as appropriate for the First Nation...*