

ᑭᓴᓴᓴᓴᓴ First Nation

Financial Policies and Procedures



May 5, 2021

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1. Definitions

“AFN”	refers to ʔakisq̓nuk First Nation which includes Membership.
“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 AFN vision and strategic objectives.
“Annual Capital Plan”	all Capital Project Plans to be undertaken in a fiscal year.
“Approved Travel Status”	travel on official AFN business that has been pre-approved by an individual’s immediate supervisor applying the professional and personal standards as identified in AFN’s Human Resource Policy.
“Arrears”	refers to an unpaid, overdue debt, or an unfulfilled obligation.
“Assets”	includes land and tangible capital assets such as equipment, buildings and land that have been purchased, constructed, gifted, transferred, or otherwise acquired by AFN.
“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. when purchasing or procuring services.
“Bid”	refers to a competitive bid received from either a Request for Quotation, Tender or Proposal, approved by Council, as a component of the procurement process.
“Capital Project”	means the expansion, construction, rehabilitation, or replacement of the Tangible Capital Assets in which AFN or its related bodies are invested.
“Capital Project Plan”	means a plan to carry out a Capital Project.
“Cash”	is currency, cheques, money orders and equivalent financial instruments.
“Council”	refers to the collective of those individuals elected to act as the Chief and as the Council members as per the AFN Custom Election By-laws in force at the time of their election.
“Cost”	is the amount of consideration provided to acquire, construct, develop or better a Tangible Capital Asset, and includes all costs directly attributable to the acquisition, construction, development, or betterment of a Tangible Capital Asset, including installation of the Tangible Capital 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 equal to its Fair Value at the date of contribution.
“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.
“Department Manager”	individual whose primary responsibilities include establishing and working towards strategic departmental goals and managing a departmental budget.
“FAIC”	the Finance, Audit and Investment Committee required by the FAL to be established and maintained to assist Council in carrying out its oversight responsibilities for financial reporting, internal control, and risk management processes.
“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.
“Finance Department”	is the department within AFN that is responsible for managing funds and planning for the expenditure of funds, including activities such as investing, borrowing, budgeting, risk assessment and cashflow management.
“Financial Institution”	means the First Nations Finance Authority (FNFA), a bank or credit union.
“FAL”	refers to ʔakisq̓nuk First Nation Financial Administration Law.
“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.
“FNFMA”	refers to the First Nations Fiscal Management Act which provides First Nation governments with authority over financial management, property taxation and local revenue, and financing for infrastructure and economic development.
“Fraud Risk”	is the potential for an employee, agent or other person connected with the financial administration of AFN to use deception to make a personal gain for oneself or a loss for another. This commonly includes activities such as theft, corruption, embezzlement, coercion, collusion, or bribery.
“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 from a third party.
“Internal Assessment”	is a review of an activity/process by an independent 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 Council, the FAIC, management or other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: <ul style="list-style-type: none"> • effectiveness and efficiency of operations; • reliability of reporting; and • compliance with applicable laws and regulations.
“Investment Manager”	refers to a person or organization that makes investment decisions about portfolios of securities on behalf of clients under the investment objectives and parameters the client has defined.
“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 asset tracking including inspection, review, and planning for the management of AFN’s Tangible Capital Assets as described in the FAL 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 Tangible 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 the principal and/or interest on a debt obligation in the event of default by the borrower.
“Loan Receivable”	is a financial asset of AFN (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.
“Members” or “Membership”	includes all individuals registered as members of ʔakisq̓nuk First Nation.
“Misappropriation of Assets”	means the theft of AFN 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”	combination of a strategic plan, community development plan, capital budget, financial plan, annual budget, and any other appropriate documents.
“Preferred Vendor List”	a list of suppliers of products or services that have a continuing arrangement to provide AFN with products or services. AFN has investigated the suppliers for performance, reasonable costs, quality of product or service or business practices and has approved the supplier as a preferred vendor.
“Portfolio Rebalancing”	refers to the realigning of the weightings of AFN’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 established by the Canadian Public Sector Accounting Board, as amended, or replaced from time to time.
“Purchase Order”	document which authorizes a purchase transaction to occur between a buyer and a seller.
“Rehabilitation”	includes alteration, extension or renovation but does not include maintenance.
“Replacement”	includes substitution, in whole or in part, with another Tangible Capital Asset.
“Requisition”	document used by AFN for approving an expenditure for payment.
“Residual Value”	is the estimated net realizable value of a Tangible Capital Asset at the end of its Useful Life.
“Restricted Investments”	are investments made with excess funds with restrictions on use.
“Risk”	is defined as anything of variable uncertainty and significance that may interfere with the achievement of AFN’s strategies and objectives. In insurance terms, risk 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. ¹
“Special Purpose Report”	refers to the annual report on remuneration, and expenses.
“Strategic Plan”	refers to the process that develops a course and direction for AFN over the next few years.
“Strategic Priorities”	are values specifically aligned with AFN’s Vision and goals that support the organization in achieving success.

¹ Insurance Bureau of Canada: http://www.IBC.ca/en/Business_Insurance/Risk_Management/

“Tangible Capital Assets”	are non-financial assets having physical substance that: <ul style="list-style-type: none"> • 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 another Tangible Capital Assets; • have useful economic lives extending beyond one year; • are to be used on a continuing basis; and • are not for sale in the ordinary course of operations.
“Tender Process”	refers to the process where documents outlining the requirements and specifications of a project are provided to 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 which do not have restrictions on use.
“Useful Life”	is the estimate of either the period over which a Tangible Capital Asset is expected to be used by AFN, or the number of production or similar units that can be obtained from the Tangible Capital Asset by AFN. 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.
“Write-down”	is a reduction in the cost of a Tangible Capital Asset because of a decrease in its fair value or Useful Life.

2. Annual Planning and Budgeting

A. Policy

ᑭakisᑭnuk First Nation will establish an annual planning and budgeting process that is integrated with the operational and long-term strategy.

B. Purpose

The purpose of this policy is to ensure that a comprehensive planning process is established to support the ongoing decision-making of AFN.

C. Scope

This policy applies to Council, employees and committees of AFN involved in the planning and budgeting process.

D. Responsibilities

(1) **Council** is responsible for:

- a. Establishing specific goals and strategic priorities to guide resource and allocation decisions during the budget planning session;
 - b. Ensuring that a process is in place to address Membership priorities in the Strategic Plan and other Planning Documents, as appropriate;
 - c. Reviewing and approving the annual operating and capital budget and ensuring that it was prepared in accordance with AFN's Financial Administration Law and other applicable AFN laws, and provides for required programs and services;
 - d. Reviewing and approving any circumstances that are expected to create a budget deficit including consideration of any recommendations from the Finance, Audit and Investment Committee on plans to eliminate the budget deficit in a future period;
 - e. Reviewing and approving other Planning Documents including but not limited to a strategic plan, community development plan, and a multi-year financial plan;
 - f. Reviewing and approving the annual materiality threshold for operating and capital budget amendments;
 - g. Reviewing and approving any amendments to the annual operating and capital budget or other Planning Documents;
 - h. Ensuring that the Membership of AFN is informed about the preparation of the annual operating and capital budget, multi-year financial plan, projected budget deficits or projected extraordinary expenditures as set out in the Financial Administration Law; and
 - i. Establishing general budget policies or guidelines such as requirements for balanced budget and use of cash reserves.
- (2) The **Finance, Audit and Investment Committee** is responsible for:
- a. Reviewing the draft annual operating and capital 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 draft amendments of the annual operating and capital budget, and recommending them to Council for approval; and
 - d. Reviewing information, schedules and proposed budget for rehabilitation or replacement of capital assets and plans for new construction of capital assets.
- (3) The **Senior Financial Officer** is responsible for:
- a. Creating a budget development calendar and ensuring deadlines are met subject to AFN's Financial Administration Law;
 - b. Establishing the format for draft budgets;
 - c. Participating in budget planning sessions with Council, the Finance, Audit and Investment Committee, Senior Administrative Officer and other key stakeholders;
 - d. Collaborating with department heads in setting draft expenses for their department;

- e. Consolidating and evaluating draft budgets prepared by managers for accuracy, reasonableness, applicable guidelines, and anticipated resources in accordance with Section 26 of the AFN Financial Administration Law;
- f. Developing revenue forecasts based on reviews of fiscal transfer agreements and collaboration with other officers on own-source revenue forecasts;
- g. Presenting draft annual budgets to the Finance, Audit and Investment Committee on a timely basis;
- h. Implementing financial monitoring, including preparing and analyzing budgeted versus actual revenue and expense reports for Finance, Audit and Investment Committee use and overseeing any Council approved corrective action (i.e. budget amendments), after the annual budget is approved;
- i. Make forecasts and prepare budgets for Tangible Capital Assets; and
- j. Any other responsibilities as outlined in the Financial Administration Law.

E. Procedures

(1) Annual Integrated Planning Process

AFN Chief and Council shall maintain a rolling 5-year strategic plan meaning that each year the current and outgoing year will be reviewed, and a new year will be added to reflect progress and new and/or evolving priorities.

Annual process

Chief and Council shall set aside time each year, preferably in the fall, to evaluate and update the five-year strategic plan. The strategic planning process should incorporate the following elements:

- a. Critical reflection – reviewing the achievements of the current (outgoing) year, have the goals and objectives been met? Do any of the goals and/or objectives need to be carried over to the next years’ plan? Did they get AFN closer to achieving its’ and realizing its’ vision?
- b. Provide clear expectations – the strategic plan should give clear direction to the staff and provide Membership with a sense of assurance in the direction of the AFN.
- c. Energetic deployment – the strategic plan should provide enough detail to allow staff the ability to breathe robustness into their own workplans.

The annual strategic planning process shall include, at some point in the process, the participation of senior management and program managers. The purpose of program manager involvement at this level of the planning process is to ensure there is clarity in relation to the goals and objectives (everyone is on the same page), and to ensure that the strategic level goals and objectives set for the year are realistic given staffing levels and available resources.

Budget Planning

The annual budget planning process will commence no later than November of the year prior to the fiscal year being planned for. The planning will generally include:

- a. Establishment or communication of current year and five (5) year operational goals and objectives based on strategic priorities established by Council;
- b. Presentation of budget development calendar;

- c. Establishment or update of workplans, key budget assumptions, budget constraints, and cost drivers for current year and the five (5) year plan;
- d. Establishment or update of a multi-year capital plan to ensure the effective management of capital assets which identifies and prioritizes expected needs, costs, and expected sources of financing; and
- e. Update of strategies, goals and objectives for the strategic plan – the plan that details AFN’s long-term priorities and the plan for resources needed to meet the objectives of the plan.

(2) Budget

- a. Based on the established strategic priorities and operational goals and objectives, the initial operating budget and capital budget estimates will be prepared or updated accordingly.
- b. Each Department Manager shall prepare and present an annual budget to the Senior Financial Officer for evaluation and consolidation before presentation to the Finance, Audit and Investment Committee for review and recommendation to Council by February 1st of each year for approval by Council no later than March 1st and subsequent implementation in April of that same year (new fiscal year).
- c. Each Department Manager shall participate in the presentation of their annual budget to Council;
- d. In addition to the budgeted amount for that year, each budget shall contain the actual expenditures for the previous two years. Each budget shall contain the following:
 - i. Name of department, project, or program;
 - ii. Name and Title of the person who has prepared the budget;
 - iii. The budget fiscal year being planned for;
 - iv. Current budgeted amount and Quarter 3’s actual expenditures with explanation of overall variations;
 - v. Separate line items for each expenditure; and
 - vi. The date on which approval was granted by Chief and Council.
- e. Capital budgeting estimates should include all capital projects (purchase, construction, or renovation of physical facilities) and all capital equipment expenditures.
- f. The annual budget shall encompass all the operations for which AFN is responsible and shall identify:
 - i. Anticipated revenues segregated by significant category, including local revenues; and
 - ii. Anticipated expenditures segregated by significant category.
- g. Any projected annual and accumulated deficit must be accompanied by a report that outlines the contributing factors and circumstances and the plan by which it will be eliminated in a future year. The budget shall identify the application of any year-end surplus.
- h. The Senior Financial Officer will provide detailed financial information on staffing and benefits for each department.

- i. The draft budget will be presented for discussion at a Finance, Audit and Investment Committee meeting. The Committee may accept the estimates as presented or request amendments, within the context of the operating objectives and the strategic plan.
- j. Where a projected deficit exists, the Finance, Audit and Investment Committee will provide recommendations to Council on plans to eliminate the budget deficit in a future year.
- k. Surplus funds shall be kept within the department in which they are accrued, except in the case of funds received for the operating objectives and the strategic plan.
- l. The final draft budget recommended for approval to Council by the Finance, Audit and Investment Committee will be approved by Council no later than March 1st of the fiscal year preceding the budget year, by motion and duly recorded in the Council meeting minutes. The approved budget shall be dated as to the day it was approved and copies shall be kept by the respective Program Managers, Directors and the Finance Department in a general budget file.
- m. The draft budget must meet the requirements of the FAL and the Annual Integrated Planning Process must comply with the schedule for planning activities set out in that Law.

(3) Workplans

- a. Workplans will also be prepared by each department by January 15th of each year. Workplans will include goals, objectives and measurable outcomes for the department, both short (fiscal year) and long-term (five-year plan), as documented in the ʔakisq̓nuk First Nation Strategic Plan. Workplans will be approved by Council each year and made available to Membership upon request. Based on the annual integrated planning session, the ʔakisq̓nuk First Nation Strategic Plan will be updated or prepared to include:
 - i. Any revisions to the community vision, mission and guiding principles of the plan;
 - ii. A strategic priorities list with objectives, responsibilities and goals;
 - iii. A timeframe to implement the plan;
 - iv. The requirements to implement the plan (i.e. using legislative tools of governance and public finance to support activities or the need to acquire additions to reserve, or invest in new businesses to generate additional revenues); and
 - v. Determining how implementation of the plan will be resourced.
- b. The ʔakisq̓nuk First Nation Strategic Plan will include community input on any revisions to vision, mission, guiding principles and strategic priorities through the Annual General Meeting (AGA).
- c. The ʔakisq̓nuk First Nation Strategic Plan will be reviewed annually and any changes will be presented at the Finance, Audit and Investment 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 AFN.
- d. The final multi-year workplans will be recommended for approval to Council by the Finance, Audit and Investment Committee and will be approved by Council as formal planning documents no later than March 1st of each fiscal year.

(4) Multi-Year Financial Plan

- a. Based on the Annual Integrated Planning Process, a multi-year financial plan that has a planning period of five (5) years comprised of the upcoming fiscal year and the four (4) succeeding fiscal years will be prepared, on or before March 1st of each year, and will also include the following:
 - i. Revenue projections by major revenue type that demonstrate trends in existing revenue streams;
 - ii. In respect of projected revenues, sets out separate amounts for income from taxes; fees and charges; transfers from federal, provincial or territorial governments; grants; business operations; and proceeds from borrowing;
 - iii. In respect of projected expenditures, sets out separate amounts for payments of principal and interest on debt; payments required for Capital Projects; payments required to address any deficits; and payments for all other purposes;
 - iv. Is based on projections of revenues, expenditures and transfers between accounts;
 - v. In respect of transfers between accounts, sets out the amounts from restricted accounts;
 - vi. Account balances that estimate the available resources available to cover short-term fiscal shortfalls or unanticipated expenditures;
 - vii. Shows all categories of restricted cash;
 - viii. 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
 - ix. A cover sheet that describes the broad assumptions and judgments used in the development of the plan.
- b. The draft multi-year financial plan will be presented for discussion at a Finance, Audit and Investment Committee meeting. The Committee may accept the plan as presented or request amendments, within the context of the operating objectives and the strategic plan.
- c. The final multi-year financial plan recommended for approval to Council by the Finance, Audit and Investment Committee will be adopted as a formal planning document no later than March 31st of each fiscal year.

(5) Adjustments to the Plans and Budgets

- a. An annual adjustment process in the Annual Integrated Planning Process will be included to adjust the plans and budgets. The budget of AFN can only be changed with approval of Council.
- b. The circumstances to adjust budgets are limited to substantial change in the forecasted revenues or expenses of AFN or in the expenditure priorities of the Council; which may include the following:
 - i. External factors that impact funding arrangements;
 - ii. Impacts related to Capital Project adjustments;
 - iii. Unforeseen changes to budget assumptions; or
 - iv. Council approved changes to priorities or operating objectives.

- c. Proposed amendments to the strategic plan or five (5) year plan will be brought forward to the next annual planning session.
- d. Significant time-sensitive adjustments should be brought to the Finance, Audit and Investment Committee for review and recommendation to Council.
- e. On or before June 15 of each year the Senior Financial Officer must prepare and submit to the Finance, Audit and Investment Committee for review, a draft amendment of the component of the annual budget respecting AFN's local revenue account.
- f. On or before June 30 of each year, the Finance, Audit and Investment Committee must review the draft amendment of the component of the annual budget respecting AFN's local revenue account.
- g. No later than July 15 of each year, the Council must approve the amendment of the component of the annual budget respecting AFN's local revenue account.

F. References and Related Authorities

- (1) **AFN Financial Administration Law**
- (2) **ᐱakisᓄnuk First Nation Strategic Plan**

G. Attachments

- (1) **Appendix A – Planning and Budgeting Schedule**

3. Financial and Operational Reporting

A. Policy

Financial statements and reports will be prepared on a regular basis in accordance with Canadian Public Sector Accounting Standards, with accounting practices in compliance with Generally Acceptable Accounting Practices (GAAP). An annual operations report, including the audited annual financial statements, Special Purpose Reports and an assessment of progress towards financial and operational goals of AFN, will be published within 180 days of the fiscal year end and will be provided to ʔakisq̓nuk Members, Council, and other organizations or committees, as required.

B. 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.

C. Scope

This policy applies to all the financial operations and activities of AFN including those organizations related to AFN (Appendix P). The persons affected by this policy include the Council; Finance, Audit and Investment Committee; Senior Administrative Officer; Senior Financial Officer and employees of AFN.

D. Responsibilities

(1) **Council** is responsible for:

- a. Reviewing the financial statements and reports, and the Finance, Audit and Investment Committee's corresponding recommendations;
- b. Approve the Financial Reports List, the financial statements and reports; and
- c. Approve the Risk Management Plan (Appendix L).

(2) The **Finance, Audit and Investment Committee** is responsible for:

- a. Determining the Financial Reports List contents and frequency of reporting required from AFN's management team (Appendix Q - Organization Chart); and
- b. Reviewing the Financial Reports List, the monthly reports, quarterly and annual financial statements, financial reports, and the Senior Financial Officer's corresponding recommendations and making appropriate recommendations to Council.

(3) The **Senior Financial Officer** is responsible for:

- a. Preparing and updating the Financial Reports List;
- b. Preparing the financial statements and reports, in accordance with PSAS and the AFN Finance Policy and Procedures, and making appropriate recommendations to the Finance, Audit and Investment Committee;
- c. Developing and recommending procedures for identifying and mitigating Financial Reporting Risks and Fraud Risks, and ensuring approved procedures are followed;
- d. Identifying, assessing, monitoring and reporting on Financial Reporting Risks to the Finance, Audit and Investment Committee;

- e. Monitoring and reporting on the effectiveness of mitigating controls for the Financial Reporting Risks and Fraud Risks, taking into consideration the cost of implementing such controls;
- f. Ensuring that Financial Reporting Risk assessment and management practices have been performed in relation to quarterly and annual financial statements; and
- g. Bi-annually reviewing financial policies and procedures in consultation with staff, as appropriate, and recommending any updates to the Finance, Audit and Investment Committee.
- h. If AFN 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 AFN, including all records referred to under the FNFMA, in section 5 of the *Local Revenue Management Implementation Regulation* as amended by the *Financing Secured by Other Revenues Regulations*.

(4) **Department Managers** are responsible for:

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

E. Procedures

(1) **Financial Reports List**

- a. Council and the Finance, Audit and Investment Committee, with the assistance of the Senior Financial Officer, shall prepare 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 (Appendix B).
- c. Monthly reports prepared by the Senior Financial Officer will be tailored to the needs of AFN’s management team for monitoring purposes in the form and content consistent with the annual budgets.
- d. If AFN 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, Audit and Investment Committee will review and update the Financial Reports List annually and recommend the list to Council for their review and approval.
- g. Council will review and approve the Financial Reports List annually once recommendation has been received by the Finance, Audit and Investment Committee.

(2) Financial Statement Preparation

- a. The Senior Financial Officer will prepare monthly information, not more that forty-five (45) days after the end of each month per the AFN FAL, respecting the financial affairs of AFN and its quarterly and annual financial statements. The Senior Financial Officer will prepare quarterly interim financial statements not more than sixty (60) days after the end of each quarter of the fiscal year. The quarterly financial statements shall be:
 - i. Reviewed by the Finance, Audit, and Investment Committee and recommended to Council for approval not more than seventy-five (75) days after the end of the quarter; and
 - ii. Reviewed and approved by Council not more than ninety (90) days after the end of the quarter.

Other financial reports that are listed in the approved Financial Reports List will be prepared by the person responsible for its preparation.

- b. The Senior Financial Officer will be responsible for providing monthly financial reports to each department not more that thirty (30) days after the end of each month. Detailed account listings will be made available at the request of the department.
- c. The Senior Financial Officer shall prepare and present quarterly statements to the Finance, Audit and Investment Committee at the scheduled review meetings in July, October and January of each fiscal year. The quarterly financial statement will include the following for AFN and all its related organizations:
 - i. A statement of revenue and expenditures containing a comparison to the approved annual budget;
 - ii. A statement of financial position;
 - iii. Financial information for the local revenue account as required by the FAL and the Local Revenue Policy;
 - iv. If AFN has borrowed money from the FNFA secured by other revenue: financial information respecting the other revenue;
 - v. If a Land Code is in force: revenue by category as identified in the AFN Land Code;
 - vi. The annual budget amount for each line item, the amount spent to date and the amount remaining; and
 - vii. Any other information requested by the Finance, Audit and Investment Committee or Council.
- d. The annual Financial Statements will include the following:
 - i. The financial information and disclosures 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 paragraph 9 of the FAL - Reporting of Remuneration and Expenses;

- iv. A Special Purpose Report setting out all debts or obligations forgiven by AFN;
 - v. A Special Purpose Report setting out the information required in paragraph 60 of the FAL - Permitted Investments in AFN Member Activities;
 - vi. Any other report required under the FNFA, the AFN FAL, this policy or an agreement;
- e. Annual financial statements will be presented by the Auditors and Senior Financial Officer to the Finance, Audit and Investment Committee along with comment(s) and recommendation(s), no later than Ninety (90) days following the end of the fiscal year for which they were prepared.
 - f. The Finance, Audit and Investment Committee will review the annual financial statements, the accompanying information, and the Senior Financial Officer's comment(s) and recommendation(s). Subsequently, the Finance, Audit and Investment Committee will forward the financial statements, accompanying information, and comment(s) and recommendation(s) to Council no later than One Hundred and Five (105) 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, Audit and Investment Committee and the Senior Administrative Officer, not more than one hundred and twenty (120) days following the year for which they were prepared and decide to approve or not approve.
 - h. In the event that the financial statements are not approved by Council, a documented rationale will be communicated to the Senior Financial Officer and the Financial, Audit and Investment Committee for corrective action. The financial statements will be re-submitted to Council for approval within two weeks.
 - i. A Financial Reporting Record File will be created for each annual financial statement and will contain the following:
 - 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, and the Finance, Audit and Investment Committee's recommendation(s);
 - iii. Auditor's management letter and recommendations; and
 - iv. Completed highlights memo (if applicable).
 - j. The Financial Reporting Record File will be maintained according to the Information Management Policies and Procedures. Retention period will be seven years unless otherwise specified by Council.

(3) Financial Reporting Risks

- a. The Senior Financial Officer will review the Financial Reports 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 performance evaluation process, the Senior Financial Officer will ensure that the persons engaged in the financial preparation and reporting processes:
 - i. Have the necessary knowledge, skills and competence to perform the services for which they have been engaged; and

- ii. Confirm in writing that they understand their responsibilities.
- c. Changes to the accounting software (i.e. new system or major updates to the current system) require authorization from the Senior Financial Officer and consultation and communication with the Finance, Audit and Investment Committee and Council. Changes such as the addition/deletion/modification of general ledger accounts, customer/Member accounts or vendor accounts require approval from the Senior Financial Officer or designate.

(4) Fiscal Year

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

(5) Annual Report

- a. Council must prepare and publish an annual report within the earlier of one hundred and eighty (180) days following the end of the fiscal year, or the timeline specified in the FAL, that details the progress towards the financial and operational goals of AFN over the course of a fiscal year.
- b. The annual report will contain, at a minimum, the following:
 - i. A description of the services provided by AFN and its operations;
 - ii. A review of AFN's achievement towards its values, goals and objectives;
 - iii. A progress report on any established financial objectives and performance measures of AFN; and
 - 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 AFN at the AFN Annual General Meeting and on the ʔakisq̓nuk website as required by the FAL, and provided to Council, the First Nations Financial Management Board, FNFA, and other organizations as required no later than one hundred and eighty (180) days following the end of the fiscal year; and
- d. Council must ensure that a remedy process is available to ʔakisq̓nuk Members who have requested but have not been provided with the annual report of AFN within the required timeframe.

F. References and Related Authorities

- (1) AFN Financial Administration Law

G. Attachments

- (1) Appendix B – Financial Reports List

4. Financial Institution Account and Cash Management

A. Policy

The purpose of this policy is to ensure effective and efficient controls for all banking activities and financial service agreements with Financial Institutions.

B. 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, and 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 AFN financial statements, and that records be maintained of all Financial Institution transactions.

C. Scope

This policy and procedures apply to Council, the Senior Financial Officer, and any other AFN employee who has been assigned Financial Institution account responsibilities.

D. Responsibilities

(1) **Council** is responsible for:

- a. Designating the Financial Institutions that AFN may conduct banking activities with;
- b. Approving the opening, maintenance and closing of any of AFN's bank accounts;
- c. Approving the addition or the removal of authorized signatories for each Financial Institution account used by AFN;
- d. Approving the establishment of and authorization of an operating line of credit or overdraft account; and
- e. Approving new or amended financial service agreements with Financial Institutions.

(2) The **Finance, Audit and Investment Committee** is responsible for:

- a. Investigating any unusual activities reported and approving recommendation for improvements to Internal Controls for Financial Institution accounts.

(3) The **Senior Financial Officer** is responsible for:

- a. Representing AFN in dealing with Financial Institutions;
- b. Approving standard financial service agreements with Financial Institutions;
- c. Assigning banking duties and ensuring that adequate segregation of duties is maintained;
- d. Ensuring physical safeguards are implemented over any handling of cash and blank cheques;
- e. Ensuring all money received by AFN is deposited as soon as practicable into the appropriate accounts;
- f. Reviewing and approving monthly bank reconciliations for each financial institution account;
- g. Ensuring that a reconciliation is performed each month for every financial institution account;

- h. Documenting and alerting the Finance, Audit and Investment Committee of any irregularities in the reconciliation process;
- i. Recommending improvements of Internal Controls for Financial Institution accounts;
- j. Monitoring and forecasting AFN's cash position; and
- k. Managing AFN's short-term liquidity and working capital including credit line facilities.

(4) The **Finance Department** is responsible for:

- a. Recording revenue in the financial management system;
- b. Ensuring all anticipated recurring deposits have been received;
- c. Receiving cheques and cash;
- d. Preparing cheques and cash for deposit to the appropriate financial institution account;
- e. Reconciling petty cash accounts on a regular basis;
- f. Preparing a reconciliation for each of AFN's financial institution accounts;
- g. Ensuring that supporting documentation and records are retained; and
- h. Alerting the Senior Financial Officer of any irregularities.

E. Procedures

(1) Financial Institution Account Management

- a. The Senior Financial Officer maintains correspondence and official documents relating to the opening, maintenance, and closing of all financial institution accounts.
- b. The Senior Financial Officer is AFN's primary representative in dealing with Financial Institutions and at least annually provides the designated financial institution representative with necessary financial reporting information and updates on AFN operations and forecasts for the Financial Institutions to respond to AFN's financial service requirements.
- c. The Senior Financial Officer is the only individual authorized by Council to negotiate standard financial service agreements on behalf of AFN.
- d. The Senior 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.
- e. The list of individuals with authorized signing authorities for each Financial Institution account will be maintained by the Senior Financial Officer. All changes to signing authorities must be approved by Council.
- f. Online Financial Institution access will be permitted and controlled as follows:
 - i. The Finance Department designate performing account reconciliations will be granted read-only access to the account; and
 - ii. The SFO will be provided with online banking access to perform transactions.

(2) Cash Receipts

- a. The employee responsible for opening mail shall receive all revenue, record funds on the Cheque and Cash Registry sheet and issue any necessary receipts. The sheet will state:
 - i. The date;
 - ii. From whom the revenue was received;
 - iii. The amount received;
 - iv. The form of tender (i.e. cheque, money order, cash); and
 - v. Description of payment received.
- b. The Finance Department will collect all receipts and the Cheque and Cash Registry daily and reconcile the remittance/deposit slip to the Cheque and Cash Registry.
- c. The individual recording cash receipts in the general ledger will not be the same individual making the deposit at the Financial Institution or the individual approving the bank reconciliations.
- d. All cash received will be stored in a locked cabinet until it can be deposited in a Financial Institution account.
- e. Cash will be deposited once the total amount received reaches \$2,000 or on a weekly basis, whichever occurs first.
- f. A list of anticipated ongoing deposits will be maintained and reviewed monthly. Any expected deposits that have not been deposited in the Financial Institution account(s) will be reported to the Senior Financial Officer immediately.

(3) Cheque Stock

- a. All blank cheque stock will be stored in a locked cabinet or safe with controlled or limited access.
- b. Cheque stock should be sequentially pre-numbered.
- c. No accounts payable personnel, or the person authorized to print out cheques, shall be authorized to sign cheques or approve money transfers.
- d. 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.
- e. Cheque signers will not sign blank cheques under any circumstances.

(4) Credit Lines

- a. The Senior Financial Officer will authorize the draw-down on any line of credit or overdraft facilities, upon authorization from two Councillors.

(5) Corporate Credit Cards (in accordance with the Corporate Credit Card Policy)

- a. AFN corporate credit card(s) are to be used for authorized AFN business purposes only.
- b. Authorization for all credit cards must be pre-approved by Council.

- c. The charging of personal expenditures to the corporate credit card with or without a subsequent refund to the AFN, is expressly prohibited.
- d. Travel related guarantees or deposits using an AFN corporate credit card shall be in relation to authorized AFN travel, related to AFN personnel and Council business.
- e. AFN personnel and Council members using an AFN credit card to guarantee travel arrangements or provide deposits, will be personally responsible for any charges incurred due to cancellation of or change in travel plans for reasons other than those beyond their control.

(6) Opening a Financial Institution Account

- a. The Financial Institution accounts will be created such that all non-deposit transactions (such as cheques, electronic transfers, etc.) require two signatures for approval according to the Delegated and Assigned Responsibilities Policy.
- b. Once the Financial Institution account is opened, the Senior Financial Officer notifies the appropriate Finance Department personnel to activate the account in the general ledger.

(7) Closing a Financial Institution Account

- a. A written request to close a Financial Institution account must be reviewed and approved as per Financial Institution policy.
- b. Once the Financial Institution account has been closed, the Senior Financial Officer notifies the appropriate Finance Department personnel to deactivate the account in the general ledger.

(8) Account Reconciliation

- a. The Finance Department will reconcile each of AFN's Financial Institution accounts to the accounting system records within fifteen (15) business days following the end of a calendar month.
- b. 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 with the reconciliation.
- c. The employee preparing the Financial Institution account reconciliation will monitor and investigate adjustments that carry over from month to month.
 - i. Outstanding cheques will be monitored and any cheques outstanding for more than four months will be investigated with the employee responsible for preparing cheques (i.e. Accounts Payable) to determine whether the cheques remain valid or if they should be stale dated;
 - ii. In transit deposits will be investigated immediately if not cleared by the financial institution within one week; and
 - iii. Unusual, or unresolved entries that carry over for more than one month, will be reported to the Senior Financial Officer.

(9) Independent Review

- a. The Senior Financial Officer will review and approve each Financial Institution account's monthly reconciliation for completeness, timeliness and accuracy. The Senior Financial Officer will review to ensure the following:
 - i. The reconciliation balances;
 - ii. All amounts recorded on the reconciliation are appropriately supported by documentation;
 - iii. 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
 - iv. Unusual adjustments are well explained, supported, and, if material in nature, are brought to the attention of the Finance, Audit and Investment Committee.
- b. The Senior Financial Officer performing the independent review will sign and date the reconciliation to indicate they have carried out their duties as described in this policy.

(10) Irregularities

- a. Irregularities, such as reconciliations that do not balance or unusual adjustments, will be reported by the Senior Financial Officer to the Finance, Audit and Investment Committee as soon as practical.

F. References and Related Authorities

- (1) AFN Financial Administration Law
- (2) Corporate Credit Card Policy
- (3) Delegated and Assigned Responsibilities Policy

G. Attachments

- (1) none

5. Procurement

A. Policy

The AFN Chief and Council directs the operation of AFN through its approved programs and policy. The purpose of this policy is to establish purchasing guidelines to ensure the most cost-effective, cost-efficient and secure methods are used to purchase goods and services for AFN in the manner approved by Council.

B. Purpose

The purpose of this policy is to provide guidance to AFN on how purchases will be planned, managed, approved and paid.

C. Scope

This policy applies to the Council, Senior Administrative Officer and any other AFN employees involved in purchasing goods, services and assets on behalf of AFN.

D. Responsibilities

(1) The **Council** is responsible for:

- a. Ensuring effective control of procurement of goods, services and assets through documented policies and procedures.

(2) The **Senior Administrative Officer** is responsible for:

- a. Ensuring the procurement process is fair, open, and demonstrates accountability to obtain the best value for time and money;
- b. Awarding or purchasing all goods or services that are within the budgets approved by Council and as guided by this Purchasing Policy;
- c. Authorizing procedures consistent with this policy and delegating the authority under this policy;
- d. Authorizing financing arrangements such as loans, leases, rentals, etc. For the purchase or rental of goods, services, equipment or property on behalf of AFN where the purchase is compliant with the other conditions and award limits within this policy and the period of financing does not exceed five (5) years; and
- e. Communicating the policies and procedures to all parties who are affected.

(3) The **Senior 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.

E. Procedures

(1) Guiding Principles

- a. Purchases are to only be for the expenditure of funds to complete the programs approved by Council in the approved annual Operating and Capital Budget.
- b. Those authorized to purchase on behalf of AFN should use the most cost-efficient, cost-effective and secure methods to purchase and dispose of all goods and services for operations of AFN with consideration of AFN values and priorities.
- c. Those authorized to purchase on behalf of AFN shall be restricted to current employees and in accordance with the policy.
- d. The purchasing process is to be open, fair, and consistent.
- e. The total cost of acquisition is to be considered (i.e. Costs such as repair cost, staff training, operation cost, professionalism and disposal are to be considered rather than just the lowest invoice price).
- f. Purchases are to be made within the authorized limits of each department's approved budget.
- g. Purchasing methods are to encourage competitive bidding for the supply of goods and/or services.
- h. To use suppliers who can be expected to provide satisfactory performance, based on:
 - i. Past and current performance, including professionalism;
 - ii. Previous contracts;
 - iii. Financial and other resources to complete the contract bid upon; and
 - iv. References.
- i. To encourage opportunities to partner with the business community to provide services to and for AFN in a cost-effective and cost-efficient manner.
- j. To purchase necessary goods and services with due regard to the preservation of the natural environment and to encourage suppliers to supply goods incorporating recycled materials where practical.
- k. The purchase of goods and services will be facilitated by the Department Manager in accordance with the department budget and policy.
- l. AFN will be under no obligation to accept the lowest bid or any bid received in response to a verbal or written request.
- m. AFN may remove a supplier name from consideration for a contract for up to three years based on poor performance or non-performance on a contract.
- n. The Department Managers will collaborate with other departments to combine requirements where possible and encourage overall standardization of items to reduce the overall cost to AFN.

(2) Methods of Purchase

- a. **Low Value:** Purchases that are general in nature, under the value of \$500 and in accordance with the approved budget, may be purchased by employees designated with prior approval

by the Department Manager using a Purchase Order (see guidelines for use of a Purchase Order in Appendix .

- b. **Price Agreements:** To guarantee a continuous supply of various goods and services which are required on a day-to-day basis, while at the same time assuring that the competitive bidding system is followed, the Senior Administrative Officer may establish Price Agreements. These arrangements between AFN and the supplier, commits the seller to provide goods or services at a specific price for a specific period. These agreements reduce the number of individual bids and reduce overall cost due to the higher volume gained by combining the requirements of several departments. Departments can then draw supplies directly from these agreements. Price agreements are governed by the purchasing guidelines listed in this policy.
- c. **Tenders:** An invitation to tender solicits competitive bids. It is used when detailed specifications are available that permit the evaluation of tenders against clearly stated criteria and specifications. A request for tenders is a formal, competitive, sealed-bidding process. It is normally used for the procurement of goods, services, equipment, and construction. Normally bid deposits and performance security are required. The bids and prices are provided without condition or reservation and where an award can be made without negotiation. Submissions are compared to the specification and requirements contained in the tender documents. The award is normally to the lowest total cost bid received from a responsible bidder, meeting the requirements of the tender.
- d. **Request for Proposal:** A Request for Proposal (RFP) is a formal invitation to suppliers to describe how their services, methods, equipment or products can address and/or meet specific needs of AFN. It is used when a supplier is invited to propose a solution to a problem, requirement, or objective. Unlike tenders, Request for Proposals are compared to each other to assess the best proposal. Proposals submitted in response to a Request for Proposal need not be opened in public but will be opened in presence of at least one witness. An award of a contract based upon a Request for Proposal will be made to the supplier, whose proposal is determined to be the most advantageous to AFN based upon criteria for evaluation set out in the Request for Proposal and equitably applied to all proposals. Negotiations may be conducted with bidders after the date for the receipt of proposals provided such discussions, negotiations are conducted to:
 - i. Award equitable treatment to each acceptable bidder with respect to an opportunity for discussion and the revision of the proposal; and
 - ii. Prevent the disclosure of the content of the discussion or negotiations with one bidder to another bidder.
- e. **Negotiation:** Negotiations with one or more suppliers for the supply of goods and/or service may take place when any of the following conditions exist:
 - i. Due to market conditions, goods and/or services are in short supply;
 - ii. There is only one source of the goods or services;
 - iii. Efforts at breaking identical bids have previously been unsuccessful and the same goods or services are required again;

- iv. All bids received are not acceptable or exceed the amount budgeted for the purchase; and
 - v. The extension, or reinstatement of existing contracts would be more cost effective or beneficial. The extension or reinstatement of an existing contract is subject to the approvals when authorized by the Senior Administrative Officer or Council.
- f. **Sole Source Purchases:** This occurs when there is only one available supplier of a required product or service that meets the needs of AFN. Negotiation is the method of purchase used to complete the terms and conditions for this purchase. A single source purchase occurs:
- i. Where the compatibility of a purchase with existing equipment, facilities or service is a paramount consideration and the purchase must be made from a single source;
 - ii. Where an item is purchased for testing or trial use;
 - iii. Where AFN purchases supplies for resale;
 - iv. Where AFN has a rental contract with a purchase option and such purchase option could be beneficial to AFN;
 - v. Notwithstanding anything in this policy, where a purchase is determined by the Senior Administrative Officer to be fair and reasonable and is made from a non-profit corporation supported by AFN, AFN may make such a purchase as a single source purchase;
 - vi. Where items are offered for sale by tender, auction or negotiation such purchase will be deemed to be a single source purchase and the Senior Administrative Officer may authorize the submission of a bid or the conduct of negotiations where the Senior Administrative Officer determines the purchase to be clearly in the best interest of AFN; and
 - vii. For matters involving security, police matters, or confidential issues, a purchase may be made in a manner that protects the confidentiality of the contractor or AFN. Such purchases may be made as a single source purchase. Purchases of this nature must be approved by the Senior Administrative Officer. Contracts over the value of \$5,000 must be reported to Council (In Camera) when appropriate.
- g. **Emergency Purchases:** An emergency purchase occurs when a situation creates immediate and serious need which may not be reasonably met by any other procedure and may include a limitation:
- i. A condition where lack of supplies or services may adversely affect the functioning of AFN, threaten public or private property or the environment, or jeopardize the health or safety of the public;
 - ii. Interim contractual arrangements following the expiration; or breach of a contract; or the receipt of unacceptable or uncompetitive bids;
 - iii. Emergency purchases are completed using the most expedient method, but will take economy into consideration; and
 - iv. Limits for emergency purchases shall be as indicated in Section 6. However, in each case the authorizing person is required to report the emergency purchase, in writing,

to the next level of authority with a copy to the Senior Administrative Officer/ Senior Financial Officer within two business days of the emergency.

- h. **Tie Bids:** In case of a tie bid, the Senior Administrative Officer will request the tie bidders to submit a final offer. If it is not successful, and a tie bid still occurs, the contract will be awarded to a local bidder.

(3) Procurement of Low Value Items Goods and Services

- a. The acquisition of goods and services under the 'low' value threshold can be procured by the individuals noted in Appendix D for each threshold of value in accordance with the principles set out in this policy.
- b. The responsible employee noted in Appendix D will sign the requisition indicating that the goods or services have been received under the terms in the agreement between AFN and the vendor.

(4) Procurement of Moderate Value Goods and Services

- a. The acquisition of goods and services under the 'moderate' value threshold can be procured by the individuals noted in Appendix D for each threshold of value in accordance with the principles set out in this policy.
- b. For goods and services with a value of greater than \$5,000 but less than or equal to \$50,000, at least three informal quotations will be solicited by the Department Manager or a quotation from an individual or company from AFN's Preferred Vendor List and be pre-approved by the Senior Administrative Officer.
- c. For goods and services with a value greater than \$50,000 but less than or equal to \$100,000, at least three formal quotations will be solicited by the Department Manager and be pre-approved by the Senior Administrative Officer and the Senior Financial Officer.
 - d. Final approval is to be authorized by the Senior Administrative Officer and the funds clearly identified in the operating or capital budget.
 - e. When appropriate, AFN will promote the use of local content in the procurement of goods and services in accordance with Appendix E.

(5) Procurement of High Value Goods and Services

- a. Goods and services classified as high value according to Appendix D will be procured using a competitive tendering process.
- b. When appropriate, AFN will promote the use of local content in the procurement of goods and services in accordance with Appendix E.
- c. Under a competitive tendering process, AFN must use either an Invited Tender or an open tender to award a contract.
- d. For each tendering process, a RFP will be issued and will include the following components:
 - i. Date by which proposals are due;
 - ii. Background to the requirement (e.g., context, challenges);

- iii. 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);
 - iv. Qualifications of the ideal supplier (e.g. track record, experience, integrated services);
 - v. Criteria and weighting (if applicable) by which proposals will be assessed;
 - vi. Planned contract award date;
 - vii. Process for entertaining questions regarding the RFP and sharing responses with other potential suppliers;
 - viii. Caveat providing AFN with the right to pick any proposal or none; and
 - ix. A checklist of other special terms and conditions (e.g., maximum price expected, delivery dates, constraints) that would be critical for an organization to build into their response to meet the needs of AFN.
- e. The Department Manager, at least one representative from Council, and any required staff possessing relevant expertise, will form a review panel and review proposals received against the pre-determined selection criteria for the RFP. The review panel will provide Council with a recommended course of action.
 - f. To maintain consistency in the procurement process, a standard methodology will be used to evaluate each contractor/supplier (Appendix F). The methodology will include, at a minimum, an evaluation of:
 - i. How the contractor/supplier meets the RFP or tender requirements and specifications;
 - ii. The contractor/supplier's qualifications;
 - iii. The price quoted; and
 - iv. Results and quality of all work the contractor/supplier has previously done for AFN or other First Nations.
 - g. Other requirements will be added to the methodology as deemed necessary by the Senior Administrative Officer.
 - h. Normally an RFP process as described above 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:
 - i. If there were no bids received during the tender call or RFP process;
 - ii. When the good or service is available only through a Sole Source; and
 - iii. In an emergency where a delay in procuring the good or service would result in severe loss or damage to AFN. The funding agency, if any, will be notified immediately of any such delay to mitigate possible penalties.
 - i. Any exceptions to the procurement process will be documented to demonstrate the rationale and approval of a non-standard procurement process.

(6) Approval, Initiation and Monitoring

- a. All publicly advertised tenders and request for proposals shall be presented to Senior Administrative Officer for approval. A report of the purchasing process and details of the purchase will be for the Senior Administrative Officer to report to Council for information purposes.
- b. On a quarterly basis, the Senior Financial Officer will review the status of procurement encumbrances, noting and investigating any over budget commitments. Procurement activities over budget by 5% will be reported to the Senior Administrative Officer.

(7) Supplier Performance

- a. Suppliers may be subject to disqualification if there is sufficient evidence of consistent failure to meet the standards specified by AFN. Under the direction of the Senior Administrative Officer, AFN will maintain central supplier performance files. Information in each supplier performance file is supplied by the requisitioner, receivers and staff. Suppliers may be evaluated based on competitive price quality of a product, contract adherence and performance, after sales service and replies to invited tenders. Upon reasonable notice in writing to the supplier involved, and after a reasonable opportunity for response, a supplier can be disqualified from future participation in a solicitation for goods or services and removed from the preferred vendor list.
- b. Suppliers may be disqualified when:
 - i. Conviction for a criminal offense of a person or a director or official or such person relating to obtaining or attempting to obtain a contract or subcontract;
 - ii. Breach of contract indicating unwillingness to perform a contract in accordance with the terms and conditions or specifications or a record of unsatisfactory performance of one or more contracts in accordance with the terms and conditions thereof or in accordance with its specifications or both; and
 - iii. The offer of any gratuity to an official or employee of AFN by a supplier or contractor for consideration.
- c. A written decision shall be issued to the person disqualified setting out the reasons for disqualification, to the usual business address of that person as shown in the records of the purchasing section.
- d. Disqualification must be approved by the Senior Administrative Officer.

(8) Documentation Requirements

- a. 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.
- b. Approvals, budget appropriations and accounts from which certain goods or services may or must be purchased will be documented on relevant internal procurement documentation.
- c. A central file will be created by the finance department that contains the procurement documentation as well as the results of each supplier evaluation. This file will be located so that each Department Manager, as appropriate, shall ensure that all procurement documents

and the results of each RFP/Tendering process within their respective department is promptly deposited in the file. Contract Documents, Bid and Performance Securities and Specifications.

- d. The Senior Administrative Officer may from time to time approve such standard forms including bid and performance securities, if any, for purchases by Invitation to Tender, Request for Proposals, Request for Quotations, single source, or emergency purchases as well as forms of contract for types of purchase including but not limited to construction, supplies and installation or service as they may deem advisable.
- e. Bid bonds, performance bonds and other securities including labour and material bonds shall be required for such purchases in such form and in such amounts, as the Senior Administrative Officer deems advisable.

(9) Environmental Considerations

- a. The AFN strongly recommends the procurement of goods, which have a lesser impact on human health and the environment when compared with competing products, whenever possible and where those products perform satisfactorily and are available at a reasonably competitive price.

(10) Special Services

- a. Bid bonds, performance bonds and other securities including labour and material bonds shall be required for such purchases in such form and in such amounts, as the Senior Administrative Officer deems advisable.
- b. Legal Services will be acquired through a public Request for Proposal by the Senior Administrative Officer at least every five (5) years based upon work requirements, qualifications, experience, services offered, past performance, proposed fees and other relevant considerations. The selection of the lawyer from the roster in an individual case shall be based upon the expertise required for that case. All legal services shall be approved by the Senior Administrative Officer or Council, as required.
- c. Architectural, Engineering, Surveying Service, Real Estate and any other professional service when these services are over \$5,000, may be acquired by Senior Administrative Officer through a publicly advertised Request for Proposal. Consultants will be selected, by project, based upon qualifications, experience, services offered, past performance, proposed fees, and other relevant considerations.
- d. General Banking services will be evaluated by Senior Financial Officer at intervals not greater than every five years. Where services are deemed unsatisfactory, an RFP process shall be conducted for the provision of those general banking services.
- e. Services of External Auditors will be acquired by the Senior Financial Officer through public advertisement at intervals not greater than every six years. These services may be contracted on a one-year term to be renewed on an annual basis up to a six-year maximum on terms satisfactory to AFN. Selection of an auditor shall be completed by Council. Annual renewal of the contract for Audit services will be made by the Council.

(11) Monitoring of Contractors/Suppliers

- a. On an ongoing basis, the Senior Administrative Officer 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 Senior Administrative Officer.

- b. Performance evaluation shall be tailored to job size and complexity. A review of both the project quality and the service quality shall be conducted and reported to the Senior Administrative Officer.

(12) Encouraging New Contractors/Suppliers

- a. The Preferred Vendor List will be reviewed on an annual basis (or other timeframe as deemed appropriate by the Senior Financial Officer for the nature and complexity of the goods or services in question) and a request for other contractors or suppliers initiated.

(13) Emergency Purchases

- a. An emergency purchase occurs when a situation creates immediate and serious need which may not be reasonably met by any other procedure and may include a limitation:
 - i. A condition where lack of supplies or services may adversely affect the functioning of AFN, threaten public or private property or the environment, or jeopardize the health or safety of the public;
 - ii. Interim contractual arrangements following the expiration; or breach of a contract; or the receipt of unacceptable or uncompetitive bids;
 - iii. Emergency purchases are completed using the most expedient method, but will take economy into consideration; and
- b. Limits for emergency purchases shall be as indicated in Appendix D. However, in each case the authorizing person is required to report the emergency purchase, in writing, to the next level of authority with a copy to the Senior Administrative Officer and Senior Financial Officer.

F. References and Related Authorities

- (1) AFN Financial Administration Law

G. Attachments

- (1) **Appendix D** – Procurement Purchasing Approval Limits
- (2) **Appendix E** – Local Content
- (3) **Appendix F** – Sample Contractor/Supplier Evaluation Template

6. Expenditures

A. Policy

Expenditures will be in support of valid AFN activities, duly authorized, accurately recorded in the financial system and sufficiently supported through original documentation.

B. Purpose

To ensure that all expenditures from AFN's funds are in support of valid AFN programs and activities and that processing of payments are subject to proper approvals and budgetary controls.

C. Scope

This policy and procedures apply to the Council, committees of Council, officers, employees of AFN and any other persons conducting activities in connection with the Financial Administration of AFN.

D. Responsibilities

- (1) The **individuals listed in the Authorization and Delegation Table (Governance Policy, Appendix A)** in conjunction with Appendix D of this policy are responsible for:
 - a. Before approving an expenditure, ensuring that it is permitted under the current AFN 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 and Assigned Responsibilities Policy.
- (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 Table in conjunction with Appendix D of this policy before processing for payment; and
 - b. Ensure that all required documentation accompanies each payment and is retained in the financial records of AFN in accordance with the Record Information Management Policy.
- (3) **Employees, committees and council members** are responsible for:
 - a. Ensuring that all reimbursable expenditures claimed are in accordance with this policy;
 - b. Preparing the reimbursable expenditures claim that includes all required documentation; and
- (4) The **Senior Administrative Officer** is responsible for:
 - a. Providing final approval 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 the Financial Administration Law; and
 - b. Approving expenditures for an emergency purpose that was not anticipated in the budget if the expenditure is not expressly prohibited by or under the Financial Administration Law or another AFN law.
- (5) The **Senior Financial Officer** is responsible for:

- a. Reviewing expenditures for an emergency purpose that was not anticipated in the budget if the expenditure is not expressly prohibited by or under the Financial Administration Law or another AFN law.

E. Procedures

(1) 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 and Assigned Responsibilities policy and procedure.
- b. Each Department Manager is responsible for ensuring that the respective department's total expenditures do not exceed the designated budget line item for that expenditure category.
- c. All purchases, except for utility-type expenditures exempted by Council on an annual basis, shall be made with the use of a purchase order signed by the designated individual(s) in Appendix D.
- d. In emergency situations, the Senior Administrative Officer 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 and Assigned Responsibilities policy and procedure. The rationale for the purchases must be documented by the Manager for the Senior Administrative Officer and the purchases must be reported within two business days to go to the next meeting of the Finance, Audit and Investment Committee and Council. If possible, the payment of the purchases should be in accordance with the Procurement Policy and procedure and the Delegated and Assigned Responsibilities Policy and procedure.
- e. Receiving documents will be reviewed and initialled 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.
- f. If goods are received without receiving documents, the manager should note the goods as received, date of receipt, delivery agent and the AFN employee who received the goods. The invoice should then be forwarded with the Requisition for payment to the employee responsible for accounts payable.
- g. All requests for payments for performance of work or services or supply of goods, except for utility-type expenditures, 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.

- iii. All Requisitions for payment must identify the appropriate 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 allowed without the authority of an appropriation under the FAL.

(2) Payroll

- a. Employee payroll will be paid every second Friday on a bi-weekly basis.
- b. All payroll requests must be supported by documentation that captures any adjustments for vacation, sick or other types of leave. Both the employee and supervisor will verify the accuracy of the payroll information.
- c. A payroll batch entry report will be created bi-weekly. It will then be authorized by the Senior Financial Officer.
- d. Payroll reconciliations will be performed by an individual independent of the payroll process. The reconciliation will compare the payroll batch entry report, input instructions to the payroll service provider, financial institute account statement, the general ledger payroll accounts and/or employee management system. Any irregularities will be reported to the Senior Financial Officer.

(3) Reimbursable Expenditures

- a. Employees will clearly demonstrate and document that all amounts they are claiming for reimbursement were related to authorized activities performed on behalf of AFN.
- b. Travel will be paid at the rates, which are reviewed and approved by Chief and Council annually.
- c. Travel advances shall only be issued to those persons who are, at the request of the Council or by virtue of employment with AFN, representing AFN, and the distance or duration of approved travel warrants single or multiple consecutive overnight stays. A copy of the meeting/workshop agenda and any other supporting documentation must accompany all requisitions for travel advances.
- d. When travel is reimbursable by an external organization, the reimbursement shall be either made payable to AFN, or endorsed to AFN upon receipt. Failure to do so may result in disciplinary action including termination of employment.
- e. 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 AFN business, that there is sufficient budget available and, if so, provide approval. An approved travel claim form must be forwarded to the Finance Department for processing along with travel approval and all supporting documentation.
- f. Any individual making arrangements for themselves without pre-approval may be responsible for all incurred expenses.
- g. 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.
- h. Travel expenditures eligible for reimbursement include:

Transport

- i. For each type of travel, the lowest price alternative will be purchased;
- ii. If an employee chooses to drive to a destination rather than fly, the lower of the two costs will be reimbursed. Consideration may be given to the destination, airline schedule and other expenses when determining the most economical means of travel;
- iii. The standard class for rail or air travel will be economy or the equivalent;
- iv. The standard car rental vehicle class will be mid-size. Gas purchases and full vehicle insurance will be reimbursed for rental cars; and
- v. Business class travel will be permitted only in exceptional circumstances and shall be authorized by Chief and Council prior to any travel arrangements being made. In each case, the pre-authorization will be attached to the reimbursable expense claim for payment.

Private Vehicles

- vi. A mileage rate per kilometer, will be set by Chief and Council annually. This rate will be paid to persons who utilize their own vehicle while conducting AFN business or in representing AFN, when the AFN vehicle(s) are not available for use;
- vii. Individuals shall submit a monthly mileage report for local travel when incurred, which outlines the date, destination, mileage and reason for each amount claimed.
- viii. Individuals using a private vehicle for work-related travel must have the minimum insurance coverage legally required for work-related use by their province or territory of residence, which is reimbursable by AFN based on the premium differential. AFN will not be held responsible for any claims, accidents or damage to a private vehicle;

Accommodations

- ix. Individuals, when travelling, have the option to use private or commercial accommodations.
- x. The lowest cost commercial accommodation option will be selected. The standard for accommodation is a standard room, in a safe environment, conveniently located and comfortably equipped. Individuals are encouraged to seek government rates when available.
- xi. Accommodation expenses will be reimbursed at the actual cost incurred.;

Per Diems and Incidentals

- xii. Standard meal rates will be reimbursed if the employee leaves home prior to 7:00 a.m. and arrive home after 7:00 p.m. Employees whose travel time and business take place over the normal lunch period may claim the standard lunch rate if a meal is not provided. Meal rates and incidental rates are outlined in Appendix – Allowance – Modules 1, 2 and 3 from the National Joint Council and in the AFN Travel Claim Form.
- xiii. Meals will only be reimbursed for those incurred during authorized travel.
- xiv. If a meal is provided by an organization, a meal allowance will not be claimed by the individual on authorized travel;

- xv. Incidentals can only be claimed for each night away on travel status. A flat rate will be reimbursed for the same number of accommodation nights claimed; Part days on travel status will not be eligible for incidentals;
- xvi. 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;
- xvii. Receipts are not required for per diems, mileage, and for items that fall under the incidental category as noted above in statement xv.

Other Travel Expenses

- xviii. Other travel and business-related expenses that are directly attributable to travelling or business on AFN's behalf will be reimbursed at actual cost incurred, including but not limited to, internet access, business long-distance phone calls, parking, airport taxes, tolls, taxi fares, and public transit fares.

(4) Meals and Entertainment (Hospitality)

- a. Hospitality funds are available for official AFN business only, authorized only by the SAO or Council. 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 may be given to key contacts; and
 - iii. Alcohol must not be purchased using hospitality funds.
- b. Hospitality expenses must include original supporting documentation demonstrating the goods or service received (original itemized receipts or invoices) and proof of payment.

(5) Health Related Travel

- a. Travel arrangements for health-related purposes will be arranged by the Health Department staff, Health Travel Policy.

(6) Memberships

- a. Memberships in professional organizations that are required for an individual's position or are meeting a demonstrated need of AFN will be reimbursed provided that the appropriate immediate supervisor has approved each membership.

(7) Other

- a. For other expenditures not listed in this policy, pre-approval is necessary from the Senior Administrative Officer before initiating the expenditure and submitting a reimbursement claim.
- b. When reimbursable expenditures related to AFN activities are funded through an outside source and differ between AFN and the source, AFN's rates will apply.

(8) Expenditure Reporting and Documentation

- a. For general and operational expenditures, the following should be submitted to accounting for payment:

(10) Payments

- a. Accounts payable will be paid no later than thirty (30) days of the receipt of an invoice or reimbursable expense claim.
- b. The accounts payable clerk will process payments on a weekly basis unless scheduling constraints prevent otherwise as approved by the Senior Financial Officer.
- c. The payments package will be provided to two authorized signatories, and will be accompanied by:
 - i. 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.
- d. Payments will be initiated / distributed by finance immediately upon receipt of the signed payments from two authorized signatories.
- e. All documentation supporting payment will be retained in accordance with the Records and Information Policy.
- f. Employees will notify the Senior Financial Officer, documented by the incident reporting process, immediately of any instances of:
 - i. Non-compliance with policy requirements that cannot be resolved; and
 - ii. Suspected fraud.

F. References and Related Authorities

- (1) AFN Financial Administration Law
- (2) AFN HR Policy

G. Attachments

- (1) **Appendix G** – Reimbursable Expenses Claim Template

7. Long-Term Debt

A. Policy

All proposals for funding through long-term debt obligations will be submitted to the Finance, Audit and Investment 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, Audit and Investment Committee and any exceptions or issues identified and resolved.

B. Purpose

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

C. Scope

This policy applies to the Senior Administrative Officer, Senior Financial Officer, Tax Administrator, Finance, Audit and Investment Committee, Council, and those persons with the authority to recommend or approve long-term debt.

D. Responsibilities

(1) **Council** is responsible for:

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

(2) The **Finance, Audit and Investment Committee** is responsible for:

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

(3) The **Senior Administrative Officer** is responsible for:

- a. Reviewing any long-term debt financing proposal report prepared by the Senior Financial Officer and recommending a course of action to the Finance, Audit and Investment Committee.

(4) The **Senior Financial Officer** in conjunction with the Tax Administrator for local revenue account related debts is responsible for:

- a. Preparing any long-term debt financing proposal report for each proposed financing and presenting it to the Senior Administrative Officer and the Finance, Audit and Investment Committee for review and comment;
- b. Ongoing monitoring and management of all long-term debt obligations, including timely payments, maintaining sufficient documentation, and performing regular reconciliations of debt transactions; and
- c. Reporting and disclosing the long-term debt obligations in the financial statements in accordance with PSAS, the Financial Administration Law and any agreements under which the long-term debt obligations were incurred.

E. Procedures

(1) Determination of need and evaluation of options

- a. The Senior Administrative Officer and Senior Financial Officer will document the requirement for AFN 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 Senior Financial Officer will work with the Senior Administrative Officer to outline the various financing options available to AFN.
- b. The Senior Financial Officer (and members of the finance team under the supervision of the Senior 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 AFN integrated planning process, including the strategic plan, 5-year financial plan, annual budget, and cash flow statements;
 - viii. Identification of any provisions in the Financial Administration Law or in any other applicable law that limits debt which can be incurred by AFN or that imposes requirements or conditions which must be met before debt may be incurred; and
 - ix. Requirement for consultation with members of AFN before any Capital Project-related debt is incurred by AFN.
- c. The Senior 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 AFN over the life of the debt;
 - iii. Level of risk involved (i.e. covenant risks, refinancing, earnings dilution, interest rate risk, project completion risk);
 - iv. AFN's ability to service the long-term debt and repayment schedules;
 - v. An analysis of the terms and conditions and how these would impact AFN; and
 - vi. Any financial reporting implications.
- d. The Senior Administrative Officer will review and approve the content of the long-term debt financing proposal report prepared by the Senior Financial Officer, including a recommended course of action to the Finance, Audit and Investment Committee.
- e. The Senior Administrative Officer will obtain concurrence from legal counsel on the long-term debt financing proposal.

(2) Approval

- a. The Senior Administrative Officer and Senior Financial Officer will present the long-term debt financing proposal report to the Finance, Audit and Investment Committee for their review. The Finance, Audit and Investment 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.

(3) Management and monitoring of debt obligations

- a. The Council will manage and monitor the long-term debt obligation by:
 - i. Ensuring the multi-year financial plan of AFN 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 AFN; and
 - iii. Ensuring that any financial covenants contained in lending agreements are reported upon to the appropriate stakeholders of the obligation in a timely manner.
- b. The Senior 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 obligations;
 - ii. Performing monthly reconciliations between AFN’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.

(4) Reporting

- a. The Senior Administrative Officer will deliver a report to each meeting of the Finance, Audit and Investment Committee summarising for each long-term debt obligation:
 - i. The gross amount outstanding;
 - ii. The amounts issued specifically by AFN 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.

- b. The Senior Financial Officer will ensure that the long-term debt obligation is reported to the Finance, Audit and Investment Committee on a quarterly basis in the financial statements in accordance with PSAS and any requirements of the Financial Administration Law.

(5) Records management

- a. The Senior 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; and
 - vii. Reconciliations of the long-term debt with lender records.

F. References and Related Authorities

- (1) AFN Financial Administration Law

G. Attachments

None

8. Loans Receivable, Guarantees and Indemnities

A. Policy

The Senior Financial Officer 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, Audit and Investment Committee on a regular basis. The Senior Administration Officer and Department Managers will not, as a matter of general practice and in the absence of a Council approved program, issue loans or loan guarantees to AFN employees, members, Council members or other individuals, with the exception of payroll and expense advances approved in accordance with these Finance Policies and Procedures or programs approved by Council which are 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. Where Council has approved a short or long-term program for providing loans to members the following shall be adhered to.

B. Purpose

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

C. Scope

This policy applies to loans receivable, loan guarantees and/or indemnities entered into between AFN and:

- (1) An entity in which an AFN Councillor or member has an interest; and
- (2) Any other third party whether an individual or business entity including government business enterprises.

D. Responsibilities

- (1) Subject to the Financial Administration Law, **Council** is responsible for:
 - a. Approving and signing loan receivable agreements;
 - b. Approving and signing loan guarantee agreements;
 - c. Approving and signing Indemnity agreements;
 - d. Approving debt forgiveness;
 - e. Approving the standard template, clauses, and interest rates (if applicable) to be applied to all AFN members, any entity in which a member of AFN has an interest or any other party with respect to loans receivable, loan guarantees and indemnities; and
 - f. Reviewing the report of the Senior Financial Officer and the Finance, Audit and Investment Committee for a lending program to members where such program is authorized in the Financial Administration Law and, where appropriate, approving such program.
- (2) The **Finance, Audit and Investment Committee** is responsible for:
 - a. Reviewing a report made by the Senior Financial Officer respecting a lending program to members and making any recommendations to Council;

- b. Monitoring the status of AFN's loans receivable, loan guarantees and indemnities and reporting to the Council; and
- c. Monitoring the administration of any Council approved program of lending to members and any amendments thereof.

(3) The **Senior Administrative Officer** is responsible for:

- a. Ensuring the lending, loan guarantee and Indemnity process is transparent by providing AFN members access to the requirements, standard terms and conditions;
- b. 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; and
- c. Approving the loan forgiveness report.

(4) The **Senior Financial Officer** is responsible for:

- a. 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;
- b. Preparing loan, loan guarantee and Indemnity agreements using the standard clauses approved by Council;
- c. Signing loan agreements approved by Council;
- d. 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, Audit and Investment Committee;
- e. On a monthly basis, preparing the loan valuation allowance, write-off and forgiveness report;
- f. Ensuring that loan receivable allowances and loan receivable write-offs and loan forgiveness are reported to the Finance, Audit and Investment Committee and accurately recorded and disclosed in the financial records and statements;
- g. Ensuring adequate supporting documentation is retained for all loans receivable, loan guarantees and indemnities;
- h. On an annual basis, preparing a report for the Finance, Audit and Investment Committee setting out all payments made to honour AFN's loan guarantees and indemnities; and
- i. On an annual basis, preparing a report for the Finance, Audit and Investment Committee setting out all loans or obligations forgiven by AFN.

E. Procedures

(1) Requirements

- a. Subject to the Financial Administration Law, any authorized loans receivable issued by AFN are subject to the following conditions:

- i. Loan receivables, loan guaranties and indemnities must be set out in a program approved by the Council which has published terms and conditions and is universally available to those listed above;
 - ii. Loan receivables and all payments received 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. A binding legal written agreement will be made between AFN and individual requesting the loan, guarantee or indemnity. The agreement will contain standard clauses that are consistently applied to every individual that applies for and secures a loan from AFN. The following items, at a minimum, will be present in the agreement:
 - a) The name of the individual;
 - b) Amount of the loan, guarantee or indemnity;
 - c) Duration of the agreement;
 - d) Amount, maturity and repayment terms of the underlying loan or obligation;
 - e) Purpose and use of the underlying loan;
 - f) Nature and amount of any security over the loan pledged in favour of AFN or provided as loan collateral;
 - g) Interest (if applicable); and
 - h) Repayment schedule.
 - iv. AFN will obtain a copy of the legal asset purchase / lease, or investment agreement requiring the issuance of a loan guarantee and retain on file with the loan guarantee agreement.
 - v. Approval will be enacted by signing the agreement with the individual requesting the loan.
- b. In exceptional circumstances only, indemnities will be granted in the following circumstances:
 - i. AFN must not give an indemnity unless it is:
 - a) Authorized to do so under section 92 of the Financial Administration Law (“FAL”);
 - b) Necessary and incidental to and included in another agreement to which AFN is a party; or
 - c) In relation to a security granted by AFN that is authorized under the Financial Administration Law or another AFN law.
 - ii. AFN will obtain a copy of the asset agreement under loan guarantee and retain on file with the loan guarantee agreement.

- c. Standard agreement clauses for loans, loan guarantees, and indemnities (including interest provisions) will be reviewed and reported on by the Finance, Audit and Investment 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.

(2) Leases

- a. AFN must comply with the terms and conditions of any lease agreements it enters.
- b. The Council should ensure that AFN only enters a lease agreement if the amounts payable under the lease are within the budget for the related program or department.
- c. Lease agreements respecting AFN must be made in accordance with the land code or applicable land management laws and policies.

(3) Accessibility

- a. The Senior Administrative Officer will ensure that where such programs have been approved by Council, 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 AFN members. This information will be available to all members who request a copy from the local office either in person, by phone or by email.

(4) Collection

- a. On a monthly basis, the Senior 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. Any Chief, Council, Employee or persons who become staff and have an outstanding debt to the Band will have an amount equal to 15% of their net pay deducted, until such time as the outstanding debt is fully repaid.
 - ii. Any Band member who has an outstanding debt to the Band, including Social Housing arrears, shall not be eligible to receive any recreation, economic development or other donations or contributions from the Band until the debt is fully repaid, except when Council waives such requirement due to pandemic or natural disaster.
 - iii. For loan payments that are between 30 and 60 days overdue, the individual holding the loan will be contacted in writing by the Finance Department requesting that all overdue payments be made as soon as possible and no later than a specified date;
 - iv. 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 AFN. 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 monthly thereafter if payment has not been received;
 - v. For loan payments that are more than 120 days overdue, the Senior Financial Officer will determine whether the loan should be considered impaired and written off or sent to an external collection agency. The Senior 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; and

- vi. Any additional financing arrangements or amendments to existing loan agreements to improve the likelihood of repayment between AFN and an individual with payments in Arrears will be determined by the Senior Financial Officer and approved by the Senior Administrative Officer.

(5) Debt Forgiveness

- a. When it becomes evident that AFN will be unable to collect the outstanding balance, a report should be compiled by the Senior Financial Officer and approved by the Senior Administrative Officer 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; and
 - iv. Rationale for debt forgiveness.
- b. For amounts up to and including \$, the Senior Administrative Officer has authority to approve a debt forgiveness based on the Senior Financial Officer's report and recommendations. Amounts pertaining to debt forgiveness require review and recommendation by the Finance, Audit and Investment Committee and to Council for approval.

(6) Write-offs

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

(7) Monitoring and Reporting

- a. All loans, loan guarantees, and indemnities will be reported annually to the Finance, Audit and Investment 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; and
 - ix. Any expected payments required as a result of AFN having to fulfill or honour a guarantee or Indemnity agreement based on the Senior Financial Officer's knowledge of the contracts in place and changes in their underlying financial condition.

(8) Record Keeping

- a. All agreements and payment records associated with loans, loan guarantees and indemnities will be stored in AFN's financial records in accordance with the Records and Information Policy.
- b. Records of debt forgiveness will be retained if in future, through changed circumstances, some or all of the debt may be repaid.

F. References and Related Authorities

- (1) AFN Financial Administration Law

G. Attachments

None

9. Investments

A. Policy

AFN investments will be managed and administered in a manner to preserve capital and generate sufficient income and growth to meet AFN's operational or strategic objects.

B. Purpose

The purpose of this policy is to provide a framework for management of AFN's investments to achieve short and long term operational and strategic objectives within an acceptable level of risk, as identified within Permitted Investments below.

C. Scope

This policy and procedures apply to Council, the Finance, Audit and Investment Committee, the Senior Administrative Officer and the Senior Financial Officer.

D. Responsibilities

(1) **Council** is responsible for:

- a. Determining AFN'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.

(2) The **Finance, Audit and Investment 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.

(3) The **Senior Administrative Officer** 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. Ensuring that all investments are reviewed on a quarterly basis and a report and course of action is presented to Council on a quarterly basis;
- d. Liaising with the Finance, Audit and Investment Committee, Investment Manager, Senior Financial Officer, and investment consultants as required; and
- e. Providing the Finance, Audit and Investment 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) The **Senior 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 account 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;
- 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; and
- h. Recommending transfers, rebalancing, monitoring actions, Investment Manager changes, and any other recommendations relevant to the successful management of the investments.

E. Procedures

(1) Selection of Investment Manager(s) and Custodian

- a. Council will select the Investment Manager(s) and Custodian. The Senior 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 several criteria including: experience, qualifications, investment management style, costs, past performance, volatility of returns, and any other criteria identified by Council; and
 - 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 AFN. Agreements must be consistent with this policy and procedures 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).

(2) Termination of Investment Manager(s)

- a. Council may terminate an Investment Management agreement for:
 - i. Performance results;
 - ii. Changes in AFN 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.

(3) Designation and Transfers of Investment Funds

- a. Surplus funds may be invested so that they are realizing an acceptable rate of interest with minimal risk.
- b. The Senior Financial Officer will notify Council in writing when there is AFN 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.
- c. 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.
- d. The Senior 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.
- e. The Senior Financial Officer will communicate and oversee approved requests to redeem investments and transfer the proceeds to AFN.

(4) 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 an authorized 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 AFN is a shareholder;
 - viii. A trust in which AFN is a beneficiary;
 - ix. A limited partnership in which AFN is a partner; and

- x. Subject to the Financial Administration Law, a member investment program as described in section 64 of the Law.

(5) Monitoring of Investments

- a. The Senior Financial Officer will reconcile the investment and custodian accounts to the general ledger and financial statements on a quarterly basis.
- b. The Senior Financial Officer will recalculate the investment management and custodian fees charged to ensure they are consistent with the underlying contracts.
- c. The Senior Financial Officer will prepare a quarterly monitoring report and provide that report to the Senior Administrative Officer. 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 FNFMA, the FAL, or this policy and procedures; and
 - vi. Recommendations in relation to rebalancing of the portfolio and / or de-selection of the Investment Manager, or any other recommendation(s).
- d. The Senior Administrative Officer will review the report, add his / her recommendation(s), and provide the report to the Finance, Audit and Investment Committee;
- e. The Finance, Audit and Investment 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; and
- g. The Investment Manager will be required to attend a Council meeting and discuss investment performance, and changes in strategy, approach or personnel.

(6) Re-balancing of the Investment Portfolio

- a. The Senior Administrative Officer and Senior Financial Officer will transmit any rebalancing instructions to the Custodian and Investment Manager only if first approved by the Council.

F. References and Related Authorities

- (1) AFN Financial Administration Law

G. Attachments

- (1) None

10. Tangible Capital Assets

A. Policy

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

B. 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.

C. Scope

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

D. Responsibilities

(1) **Council** is responsible for:

- a. Approving Capital Project Plans and tangible capital asset reserve fund transactions;
- b. Establishing a tangible capital asset reserve fund;
- c. Establishing Asset Recognition Criteria;
- d. Approving the Tangible Capital Assets register;
- e. Approving policies and procedures for Capital Projects to address the issues identified in the Financial Administration Law for the proper management of Capital Projects;
- f. Approving procedures for the safeguarding of Tangible Capital Assets; and
- g. Ensuring Capital Project budgeting requirements are implemented.

(2) The **Finance, Audit and Investment Committee** is responsible for:

- a. Reviewing on or before January 15 the financial information provided on the Life-Cycle Management Program by the Senior Administrative Officer;
- b. Reviewing and recommending to Council the annual budget for Tangible Capital Assets;
- c. Reviewing and recommending to Council procedures for the safeguarding of assets;
- d. Reviewing status reports on the capital asset reserve fund and if necessary, making a recommendation to Council relative to the funding contribution;
- e. 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 the problems will be addressed and what steps will be taken for each Capital Project to comply with Council policies for management of Capital Projects;
- f. Reviewing the Senior Administrative Officer's recommendations on Asset Recognition Criteria and making recommendations to Council for approval; and

- g. Reviewing any scheduled Capital Project Plans including supplemental information and their budgets and developing recommendations for Council.

(3) The **Senior Administrative Officer** is responsible for:

- a. 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, Audit and Investment Committee and Council on matters concerning the management of AFN's Tangible Capital Assets;
- b. Maintaining the Tangible Capital Assets 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.);
- c. Ensuring AFN members are informed and involved in tangible capital asset projects and borrowings for construction as required in the Financial Administration Law;
- d. Developing and recommending to the Finance, Audit and Investment Committee the Asset Recognition Criteria and reviewing the criteria annually for possible recommended changes; and
- e. Serving as a point of contact to retain Capital Project consultants to assist the Senior Administrative Officer, Finance, Audit and Investment Committee and Council.

(4) The **Senior Financial Officer** is responsible for:

- a. Maintaining the Tangible Capital Assets register as required in this policy and the Financial Administration Law;
- b. The accurate and timely recording and reporting of Tangible Capital Assets in the financial statements in accordance with PSAS;
- c. Monitoring the application of this policy and updating the policy on a regular basis;
- d. Preparing on or before October 31 of each year the financial information related to routine maintenance and Rehabilitation or replacement of Tangible Capital Assets as required in the Financial Administration Law and this policy;
- e. Monitoring the tangible capital asset protection insurance program and making recommendations to the Senior Administrative Officer in adequate time before each annual renewal, or sooner if circumstances warrant;
- f. Preparing the maintenance and quarterly reporting to the Finance, Audit and Investment Committee, or more frequently if necessary, on the status of the capital asset reserve fund;
- g. Developing and recommending procedures for the safeguarding of assets and ensuring approved procedures are followed; and
- h. Collaborating Department Managers to develop the budget for Capital Project Plans and annual capital plan.

(5) **Employees involved in the Life-Cycle Management Program** are responsible for:

- a. Maintaining tangible capital asset information and implementing asset security and safeguarding measures as provided through the application of these policies and safeguarding procedures approved by Council;

xvii. Any other information required by the Council.

- c. An asset tracking (i.e. serial) number will be assigned and an activity center code (for the purposes of accounting for depreciation) to each of AFN’s Tangible Capital Assets which is to be recorded in the tangible capital asset register and communicated to the Department Manager for which the management of the asset is assigned.
- d. The Finance Department will regularly reconcile the general ledger to the tangible capital asset register. Please refer to Appendix H for additional guidance on the Tangible Capital Asset Register.

(2) Amortization / Depreciation

- a. A suitable method for amortizing (or depreciating) each category of Tangible Capital Assets should be selected to form part of AFN’s accounting policies:
 - i. Different methods of amortizing a tangible capital asset result in different patterns of cost recognition. The objective is to provide a systematic and rational basis for allocating the cost of a tangible capital asset, 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.
- b. The cost, less any Residual Value, of a tangible capital asset with a limited life should be amortized over its Useful Life in a rational and systematic manner appropriate to its nature and use by AFN. Amortization (or depreciation) expense should be calculated and recorded monthly:
 - i. The amortization of the costs of Tangible Capital Assets should be accounted for as expenses in the statement of operations;
 - ii. Land normally has an unlimited life and would not be amortized;
 - iii. Where AFN expects the Residual Value of a tangible capital asset to be significant, it would be factored into the calculation of amortization; and
 - iv. The Useful Life of a tangible capital asset depends on its expected use by AFN. Factors to be considered in estimating the Useful Life of a tangible capital asset include:
 - a) Expected future usage;
 - b) Effects of technological obsolescence;
 - c) Expected wear and tear from use or the passage of time;
 - d) The maintenance program;
 - e) Studies of similar items retired; and
 - f) The condition of existing comparable items.
- c. The amortization method and estimate of the Useful Life of the remaining unamortized portion of a tangible capital asset should be reviewed on a regular basis and revised when the appropriateness of a change can be clearly demonstrated.

(3) Annual inspection and review

- a. On or before September 30, the Senior Administrative Officer will initiate an annual inspection of AFN's capital asset inventory. Employees in the Community Facilities Department will be assigned by the Senior Administrative Officer to complete the inspection under his/her supervision. Where appropriate or necessary the Senior Administrative Officer may choose to engage the services of an external specialist to assist in the valuation of certain specialised assets (e.g. land, buildings, etc.).
- b. Any changes necessary to the tangible capital asset register will be documented by the employee noting the changes and communicated to the Senior Administrative Officer for review and approval. Once reviewed and approved by the Senior Administrative Officer, the changes will be input in the tangible capital asset register by the employee responsible for the register.
- c. The Senior Administrative Officer will report to the Finance, Audit and Investment Committee on the outcome of the annual inspection and review of assets, noting any significant developments or findings.
- d. If there is evidence of damage or a loss of an asset identified during the inspection process or at any other time of the year, the Senior Administrative Officer will investigate the matter and initiate the insurance claim process if applicable. The tangible capital asset register will be updated based on this new information.
- e. When conditions indicate that a tangible capital asset no longer contributes to AFN's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its Net Book Value, the cost of the tangible capital asset should be reduced to reflect the decline in the asset's value.
 - i. The net write-downs of Tangible Capital Assets should be accounted for as expenses in the statement of operations; and
 - ii. A write-down should not be reversed.

(4) Safeguarding Assets

- a. The Senior Financial Officer will ensure that there is a tagging or marking identification system in place for all Tangible Capital Assets subject to the risk of theft (e.g. equipment, vehicles, furniture, etc.). Markers should include the date of purchase and an asset identification (reference) number that identifies the asset to be property of AFN.
- b. Physical security arrangements over capital assets will be reviewed annually³ by the Senior Financial Officer and the results of this review will be reported to and reviewed by the Finance, Audit and Investment Committee with any recommendations to Council.
- c. Insurance coverage for Tangible Capital Assets 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.

³ This may occur at the same time as the physical inspection of asset condition is performed

(5) Maintenance of Assets

- a. Employees in each department responsible for maintaining capital assets will provide the Senior Administrative Officer with a quarterly update on the condition of Tangible Capital Assets over \$500,000 and preventative maintenance reports (including machine and vehicle logs) showing maintenance completed compared to scheduled maintenance. Explanations for deficiencies noted will be obtained and, where appropriate, shared with the Finance, Audit and Investment Committee.
- b. A list of any Tangible Capital Assets identified as no longer in use will be prepared and reported to the Senior Administrative Officer. Steps will be taken to decommission and appropriately dispose of the assets in accordance with any applicable laws or regulations.
- c. All warranty and related work including inspections will be undertaken in a timely manner.
- d. The Senior Administrative Officer will recommend that any critical Tangible Capital Assets of an unsafe nature, based on the annual review, are given a priority for replacement (or Rehabilitation) in future planning.
- e. The Senior Administrative Officer, with the assistance of staff in each department responsible for capital assets, will ensure that appropriate staff training on the use of the tangible capital asset will be provided to ensure safety.
- f. For Tangible Capital Assets over \$100,000, periodic maintenance assessments will be performed. Assessments should include:
 - i. Any deferred maintenance;
 - ii. A description of the performance and condition of the asset;
 - iii. An overall rating based on the following scale: Excellent, Good, Fair, Poor, or Failing;
 - iv. A forecast of the maintenance, repairs, betterment, and replacement costs over the course of the remaining Useful Life of the asset.
- g. The Department Managers will retain a copy of the condition assessment(s) and will provide an electronic copy to the Finance Department.
- h. The Senior Administrative Officer will ensure the tangible capital asset register and accounting records are updated, and, in conjunction with the Senior Financial Officer, will make recommendations to the Finance, Audit and Investment Committee for changes to the annual capital plan based on the results of the condition assessments performed for the year.

(6) Life Cycle Management Program

- a. Based on the information in the tangible capital asset register and consultations with the Senior Administrative Officer and the employees involved in managing capital assets, the Senior Financial Officer will prepare the annual capital plan by October 31 of each year;
- b. The annual capital plan will include short-term and long-term forecasts for asset Rehabilitation and/or replacement. The plan will include the information that the Senior Financial Officer is required to prepare in the Financial Administration Law and, at a minimum, the following details:
 - i. A description of each asset to be replaced or refurbished;
 - ii. The rationale for the replacement or refurbishment;

- iii. Estimated cost, including contingencies, of each proposed acquisition or refurbishment project;
 - iv. Estimated timeframe and schedule for completion of each asset acquisition or proposed refurbishment project;
 - v. Ongoing maintenance requirements and costs and the impact on AFN's budget.
- c. The Finance, Audit and Investment Committee will review the annual capital plan, in conjunction with the Tangible Capital Assets register. The objective of this review is to:
- i. Identify any means to reduce costs of each Capital Project;
 - ii. Understand the effect that each proposed Capital Project (Rehabilitation, replacement) on the annual operating costs and routine maintenance costs in future years;
 - iii. Determine whether any significant savings might be affected by coordinating the scheduling of Capital Projects, deferring any projects, or carrying out Rehabilitation projects rather than replacement projects.
- d. The Finance, Audit and Investment Committee will review the annual capital plan by December 15 and report to Council on its findings and recommendations by January 15 for review and consideration of the annual budget for the upcoming fiscal year.

(7) Capital Projects

- a. The Senior Administrative Officer, with input from the Senior Financial Officer, will develop an annual capital plan for all Capital Projects that exceed \$500,000 in cumulative value. The plan will include a business case for the Capital Project, that will contain, at a minimum, the following:
- i. The financial viability of the project (i.e. how it will be financed, what the expected return on investment will be, etc.);
 - ii. Project operating requirements (e.g. annual operating and maintenance costs, cash flow considerations, etc.);
 - iii. Evaluation of all other options considered; and
 - iv. A project risk assessment.
- b. The annual capital plan will be integrated with AFN's strategic plan.
- c. The Senior Administrative Officer 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 Senior Administrative Officer.
- d. The Senior Financial Officer will coordinate project costing, budgeting, financing and approval for each Capital Project in accordance with Council policies and procedures for management of Capital Projects.
- e. The annual capital plan and recommendations from the working committee will be provided to the Finance, Audit and Investment Committee. Scope adjustments, modifications and other significant adjustments made to the projects will be identified and a rationale provided.

- f. The Finance, Audit and Investment Committee will review the annual capital plan on or before January 15 and forward their recommendation to Council for approval.
- g. 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 the region in which the majority of AFN's lands are located. The Senior Administrative Officer will report to the Finance, Audit and Investment Committee on steps taken to ensure these results are met for every Capital Project.

(8) Construction management

- a. The Senior Administrative Officer will procure appropriate course of construction insurance for each Capital Project in accordance with the Insurance Policy 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.
- b. Depending upon the size of the project, an independent project manager may be retained to provide contract management and control.
- c. The Senior 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.
- d. The Senior Financial Officer will report to every meeting of the Finance, Audit and Investment Committee on each Capital Project respecting:
 - i. Year to date borrowings, loans and payments;
 - ii. The status of the project including
 - a) A comparison of the expenditures to date against the project budget;
 - b) A detailed description of any identified problems with the project; and
 - c) The manner in which a problem identified has been or will be addressed.
 - iii. Steps taken to ensure compliance with Council policies and procedures for management of Capital Projects.
- e. Work approvals, including change orders, will be signed off by the project manager or designate and forwarded to the finance office for retention and clearance against the contractor's invoice.

(9) Life Cycle Policy Directives

- a. All assets that meet the definition of a tangible capital asset, meet the Council-approved Asset Recognition Criteria, fall within the categories outlined in Appendix H based on their nature, characteristics and Useful Life, shall be recorded in the accounts of AFN in accordance with this policy.

(10)Acquisition of Tangible Capital Assets

- a. Department Managers will identify to the Senior Administrative Officer the asset 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.
- b. The acquisitions of Tangible Capital Assets are subject to the Delegated and Assigned Responsibilities Policy and the Procurement.
- c. Subject to the Delegated Authorities Policy, all purchases or leases of capital assets are to be made in accordance with the annual budget, annual capital plan, and Council resolution.
- d. Any significant variance between budgeted and actual cost of the tangible capital asset is to be reported to the Senior Administrative Officer and the Finance, Audit and Investment Committee.
- e. Following acquisition and delivery of a tangible capital asset, the Finance Department will ensure the asset is reflected in the accounting records and the financial statements of AFN. An asset tracking number will be assigned to the asset and it will be added to the Tangible Capital Asset Register of AFN.

(11)Tangible Capital Asset Reserve Fund

- a. The Council will establish a Tangible Capital Asset Reserve Fund to be applied for the purposes of construction, acquisition, maintenance, rehabilitation and replacement of AFN's Tangible Capital Assets.
- b. The Senior Financial Officer and the Finance Department will manage the Tangible Capital Asset Reserve Fund.
- c. All withdrawals from the tangible capital asset reserve fund must be approved via a Band Council Resolution at a duly convened Council meeting and in accordance with the annual budget and approved annual capital plan.
- d. The Senior Administrative Officer shall ensure that the capital dollars are expended as prescribed and over expenditures of capital dollars do not occur.
- e. Council must ensure, with advice from the Finance, Audit and Investment Committee, that the tangible capital asset reserve fund maintains a minimum balance of the total book value of AFN's Tangible Capital Assets.
- f. Contributions are to be budgeted and made to the tangible capital asset reserve fund on an annual basis based on the above minimum balance requirement and those amounts required in the annual budget and annual capital plan.

(12)Disposal of Tangible Capital Assets

- a. The Senior Administrative Officer shall accumulate surplus assets from the user departments. A notice will be given to all Department Managers about the availability of the surplus items, and those that are likely to be of use to other departments will be transferred accordingly.
- b. The fair market value must be determined for all disposals as a prior condition of approval. The Senior Administrative Officer shall have the authority to determine the fair market value for all disposals based on industry standards. The Senior Administrative Officer will consult with external specialists in establishing the fair market value, where appropriate.

- c. Based on a fair market value determination, surplus assets with a value greater than \$5,000 will be disposed of by public tender. Disposal of such assets shall be awarded by Council through public tenders, request for quotation or auction as reasonably practicable under the prevailing circumstances.
- d. All proceeds from the sale or disposal of AFN's Tangible Capital Assets are to be deposited in the Tangible Capital Asset Reserve Fund.
- e. The difference between the net proceeds on disposal of a tangible capital asset and the Net Book Value of the asset should be accounted for as a revenue or expense in the statement of operations.
- f. The Council may award the disposal of the surplus material without competition to a non-profit corporation, association, entity, municipality, Crown Corporation, school board or other level of government.

F. References and Related Authorities

- (1) AFN Financial Administration Law

G. Attachments

- (1) **Appendix H** – Tangible capital asset categories
- (2) **Appendix I** – Presentation and disclosure requirements

11. Insurance

A. Policy

AFN will obtain sufficient insurance coverage for its operations, staff and Council as part of its overall risk management strategy.

B. 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 AFN and its councillors, officers, and staff.

C. Scope

This policy and procedures apply to Council, the Finance, Audit and Investment Committee, the Senior Administrative Officer, the Senior Financial Officer, and all other employees involved in insurance matters at AFN.

D. Responsibilities

(1) **Council** is responsible for:

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

(2) The **Finance, Audit, and Investment Committee** is responsible for:

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

(3) The **Senior Administrative Officer** is responsible for:

- a. Leading and managing the risk identification and assessment process;
- b. Selecting an insurance broker.

(4) The **Senior Financial Officer** is responsible for:

- a. Recommending an insurance broker to the Senior Administrative Officer and the Finance, Audit and Investment Committee;

- c. Where appropriate, legal advice will be sought as required to ensure that the terms and conditions of coverage sought are appropriate for AFN.

(3) Approval for Insurance Coverage

- a. Council will review the proposed option presented by the Finance, Audit, and Investment Committee and the Senior Administrative Officer and document their approval.
- b. Once approved by Council, procurement of the insurance coverage will follow AFN's Procurement and Expenditure Policies.

(4) Maintenance of Insurance Coverage

- a. The Senior 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.
- b. The Senior Administrative Officer will review insurance coverage on an annual basis to ensure that it continues to adequately address the risks and meet the needs of AFN.

F. References and Related Authorities

- (1) AFN Financial Administration Law

G. Attachments

None

12. Risk Management

A. Policy

AFN will identify, manage, and monitor risks related to the financial management system and the achievement of its goals.

B. Purpose

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

C. Scope

This policy and procedures apply to Council, the Finance, Audit and Investment Committee, the Senior Administrative Officer, the Senior Financial Officer, and all other employees involved in risk management at AFN.

D. Responsibilities

(1) **Council** is responsible for:

- a. Providing input to the annual risk assessment, including consideration of Fraud Risks;
- b. Reviewing and approving the annual Fraud Risk assessment (Appendix K) and AFN Risk Management Plan (Appendix L).
- c. Subject to the Financial Administration Law, approving:
 - i. For-profit business activities, consolidated entities and ventures;
 - ii. The investment strategy and investment risk assessment;
 - iii. Loans, guarantees or indemnities;
 - iv. Insurance coverage; and
 - v. Emergency plan.

(2) The **Finance, Audit and Investment Committee** is responsible for:

- a. Providing input to the annual risk assessment including consideration of Fraud Risks; and
- b. Reviewing the Risk Management Plan and Fraud Risk assessment on a regular basis to ensure risks are adequately identified and monitored.

(3) The **Senior Administrative Officer** is responsible for:

- a. Managing the annual risk assessment process and preparing the 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 Risk Management Plan and Fraud Risk assessment on a regular basis;
- f. Immediately reporting any significant changes to the Risk Management Plan and Fraud Risk assessment to the Finance, Audit and Investment Committee;
- g. Preparing a documentation that assesses qualification of individuals engaged in control activities in AFN's financial management systems; and
- h. Obtaining a written confirmation from the persons engaged in AFN's financial management system that they understand their responsibilities.

(4) The **Senior 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 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;
- e. Preparation of AFN investment strategy, insurance coverage and emergency plans; and
- f. Monitoring the control activities and its impact on AFN and the Risk Management Plan.

E. Procedures

(1) Annual Risk Management Plan

- a. On an annual basis as part of the integrated planning process, a risk assessment will be performed by the Senior Administrative Officer. Risks identified will include any risks that could impact AFN's achievement of its strategic goals or its operations in general.
- b. Risks will be recorded in AFN's Risk Management Plan. The management team will analyze the potential impact and likelihood of each risk identified and develop an appropriate risk mitigation plan.
- c. 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.
- d. Responsibility for each risk and corresponding risk mitigation plan will be assigned to an AFN staff member.
- e. The Risk Management Plan will be presented to the Finance, Audit and Investment Committee for review and recommendation to council for approval on an annual basis (during the integrated planning review).
- f. On a quarterly basis, the Senior Administrative Officer will review the Risk Management Plan with the risk owners to update or adjust as required the risks or mitigation plans. Any

significant changes will be reported to and reviewed by the Finance, Audit and Investment Committee and reported to the Council.

(2) Fraud Risk Assessment

- a. On an annual basis as part of the integrated planning process, a Fraud Risk assessment will be performed and discussed with the appointed Auditor by the Senior Administrative Officer. (Refer to documents in Appendix J for risk assessment guidelines, and the Fraud Risk Assessment template example in Appendix K).
- b. Fraud Risk assessment will include identification and assessment of following types of fraud in AFN:
 - i. Fraudulent Financial Reporting;
 - ii. Fraudulent Non-Financial Reporting;
 - iii. Misappropriation of Assets; and
 - iv. Corruption and illegal acts.
- c. Fraud Risk assessment will include identification of risks arising from the following:
 - i. Incentives and rewards associated with achievement of objectives; and
 - ii. Pressures associated with achievement of objectives.
- d. Fraud Risk assessment will also include identification of opportunities for fraud created by the following:
 - i. Ineffective design and monitoring control activities as it relates to the following:
 - a) Unauthorized acquisition, use or disposal of AFN assets;
 - b) Poor management oversight;
 - c) Management override of Internal Control; and
 - d) Ineffective technology systems;
 - ii. Wilful violation of laws that could have a material direct or indirect impact on financial reporting.
- e. Fraud Risks assessment will include various ways that fraudulent reporting can occur considering the following:
 - i. Management bias;
 - ii. The degree of estimates and judgements used in financial reporting;
 - iii. Possible fraud schemes and scenarios in the AFN organization and community;
 - iv. The geographic region where AFN lands are located;
 - v. The nature of technology and management’s ability to manipulate information using that technology;
 - vi. Any unusual or complex transactions which are subject to significant management influence; and

- vii. The vulnerability of Internal Controls to management override and potential schemes to circumvent existing control activities.
- f. On an annual basis, the Senior Administrative Officer will prepare documentation that assesses the qualification of individuals engaged in Fraud Risk control activities in AFN's financial management system.
- g. On a periodic basis, the individuals involved in the Fraud Risk controls must confirm in writing that they understand their responsibilities.

(3) For-profit business activity risk management considerations

- a. Prior to beginning any for-profit business activity, the Senior Administrative Officer 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 AFN or expose AFN's financial assets, property or resources to significant risk).
- b. The risk assessment should address all risks related to the project and the resulting overall impacts on AFN.
- c. For each risk, a detailed mitigation plan with assigned responsibility will be developed.
- d. The complete business case and risk assessment will be presented to the Finance, Audit and Investment Committee for review. If approved, it will be recommended to Council for approval of the activity via a Council Resolution.
- e. The Senior Administrative Officer, 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, Audit and Investment Committee for report to Council.
- f. The Senior Administrative Officer or designate must report on the for-profit business activity separately reported in the monthly reports and quarterly, and annual financial statements.

(4) Loans, Guarantees and Indemnities

- a. For any loans, guarantees or indemnities, the Senior Financial Officer must annually document his or her evaluation of the risks to AFN of extending credit to individuals or groups. Risks which should be considered include, but are not limited to, the following:
 - i. Ability of the individual or group to repay AFN;
 - ii. Potential for negative impact on AFN's reputation;
 - iii. Extent of other similar situations / agreements AFN has entered into;
 - iv. Ability of AFN to honour the guarantee or Indemnity should it be required to do so;
 - v. In the case of a program for lending to members of AFN, the risks associated with the program and the costs of administering the program; and
 - vi. Evaluation of the applicable policies.
- b. Approval and management of loans, guarantees and indemnities is detailed in the Loans, Guarantees and Indemnities Policy.

(5) Investment Risk Assessment

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

(6) Financial Reporting Risks

- a. AFN 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.

(7) Insurance and Emergency Plans

- a. 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.

F. References and Related Authorities

- (1) AFN Financial Administration Law

G. Attachments

- (1) **Appendix J** – Fraud Risk Assessment Guidelines
- (2) **Appendix K** – Fraud Risk Assessment Template

13. Emergencies

A. Policy

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

B. 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 AFN and its finances.

C. Scope

This policy applies to the AFN Council, committee members, staff and members.

D. Responsibilities

(1) **Council** is responsible for:

- a. Approving the emergency response plan.

(2) The **Senior Administrative Officer** is responsible for:

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

(3) The **Emergency Planning Committee** members are responsible for:

- a. Preparing the emergency plan.

E. Procedures

(1) **Analyze the Current Situation**

- a. The Senior Administrative Officer will create an emergency planning committee which will consist of the Senior Administrative Officer, Senior Financial Officer, and other key staff across all areas of AFN as deemed appropriate. External groups, such as representatives from the local fire or police services, and Child and Family and Victim Services, will be invited to participate as required;
- b. The emergency planning committee will conduct a risk assessment to identify all risks that could have an impact on the operations and finances of AFN, including potential threats such as fires, natural disasters, pandemics and environmental risks; and
- c. For each of the risks identified, the emergency planning committee should determine the likelihood of the threat occurring and the potential impact on AFN's operations.

(2) **Develop the Emergency Plan**

- a. Based on the likelihood and impact, the Senior Administrative Officer, 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 AFN's overall operations and finances.

- b. 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 AFN 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?
- c. 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.
 - d. The emergency planning committee will develop an emergency notification procedure to explain how to enact the plan should an emergency occur.
 - e. Documented approval of the plan will be obtained from council.

(3) Implement the Plan

- a. The Senior Administrative Officer will develop a communication strategy to ensure all affected staff and AFN members have access to the emergency plan;
- b. 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.

- c. 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.
- d. Emergency plan documentation will be maintained at all AFN'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.).

(4) Annual review

- a. 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.
- b. Significant changes to the plan will be approved by Council.

F. References and Related Authorities

- (1) AFN Financial Administration Law
- (2) AFN Emergency Response Plan

G. 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

14. Financial Management System Improvement

A. Policy

Areas for improvement in the financial management system will be managed, tracked and resolved on an ongoing basis as identified by the Senior Financial Officer and annually through Internal Assessments of critical activities.

B. Purpose

The purpose of this policy is to provide guidance on AFN's continual improvement of its financial management system.

C. Scope

This policy applies to the Senior Financial Officer, Finance, Audit and Investment Committee, and the Financial Management System Assessment Committee.

D. Responsibilities

- (1) If AFN is a **borrowing member**, the Council is responsible for: ensuring that AFN takes measures as soon as practicable to rectify any gaps or areas of non-compliance between AFN's financial management systems and practices and the First Nations Financial Management Board Standards.
- (2) The **Finance, Audit and Investment Committee** is responsible for:
 - a. Designating members of the Financial Management System Assessment Committee;
 - b. Scheduling the dates for required meetings of the Financial Management System Assessment Committee;
 - c. Reviewing reports from the Financial Management System Assessment Committee; and
 - d. Reporting to Council as soon as practicable any gaps or areas of non-compliance between AFN's financial management systems and practices and the First Nations Financial Management Board Standards and monitoring actions taken to bring AFN into compliance.
- (3) The **Financial Management System Assessment Committee** is responsible for:
 - a. Planning, scheduling, and conducting Internal Assessments;
 - b. Ensuring issues or concerns identified through the Internal Assessment process are resolved;
 - c. Holding an annual meeting to review the financial management system for the previous fiscal year;
 - d. If AFN is a borrowing member, performing self-assessments of AFN's financial management systems and practices against the First Nation Financial Management Board's Standards and monitoring to ensure that any gaps or areas of non-compliance are rectified as soon as possible; and

- e. Reporting to council, the Finance, Audit and Investment Committee, and the internal/external auditors on the results of their reviews.
- (4) The **Senior 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 in the Financial Management System Assessment Committee.

E. Procedures

(1) Financial Management System Assessment Committee

- a. The Financial Management System Assessment Committee (“the Assessment Committee”) will be composed of the Senior Financial Officer, Senior Administrative Officer, and other finance and operations staff designated by the Finance, Audit and Investment Committee.
- b. The Assessment Committee will meet at least once annually.
- c. Annually on a date scheduled by the Finance, Audit and Investment 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.
- d. The Assessment Committee agenda items will include, but are not limited to, the following:
 - i. Review of the system’s processes and procedures;
 - ii. Review of applicable laws for compliance;
 - iii. Review of external and Internal Assessment results;
 - iv. Review of identified process improvement opportunities including their resolution;
 - v. Review of all committees’ Terms of Reference; and
 - vi. Review of AFN’s corporate and personnel organization charts.
- e. The Assessment Committee must prepare a report for distribution to the Finance, Audit and Investment Committee and internal/external auditors that includes the following:
 - i. 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; and
 - ii. 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.

(2) Internal Assessments

- a. 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:

- i. Risk – likelihood and potential impact if the process/controls in a specific area are not functioning properly; and
- ii. 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.
- b. The assessment plan will contain a schedule and timeframe for completion of each Internal Assessment identified.
- c. The assessment plan proposed by the Assessment Committee will be approved by the Finance, Audit and Investment Committee. Approval will be documented in the Finance, Audit and Investment Committee minutes.
- d. 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 an AFN staff member so long as the individual is independent of the operation or activity under review.
- e. 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.
- f. Reports will be issued to the Senior Financial Officer, to individuals responsible for the area/activities assessed, the Assessment Committee and the Finance, Audit and Investment Committee.

(3) Continual improvement process

- a. The Senior Financial Officer will be responsible for ensuring that any concerns or issues regarding the financial management system of AFN and brought to his/her attention are tracked, managed, and resolved on an ongoing basis.
- b. Based on the Senior Financial Officer’ analysis of the concern or issue, the following steps will be taken:
 - i. For items that relate to improvements in efficiency and/or effectiveness, the Senior Financial Officer will consider the cost versus benefit of implementing the changes and act accordingly;
 - ii. For any other issues, such as minor instances of non-compliance with policy, the Senior Financial Officer will take the necessary steps to remediate and will report the findings and actions taken to the Senior Administrative Officer; and
 - iii. All items will be tracked and all actions taken will be recorded.
- c. 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.

(4) Review of Financial Administration Law

- a. Annually, the Finance, Audit and Investment Committee will review the Financial Administration Law

- i. To determine if it facilitates effective and sound financial administration of AFN, and
 - ii. To identify any amendments to this Law that may better serve this objective.
- b. The Finance, Audit and Investment Committee will report to the Council on the results of its review including any recommendations it makes for amendments to the Financial Administration Law.

(5) Membership information or involvement

- a. In the event that recommendations from the Finance, Audit and Investment Committee require amendments to the Financial Administration Law, Council will ensure that AFN members are provided the information or involved in consideration of any proposed amendments to the Law as required in the Financial Administration Law.

(6) Requirements Specific to Borrowing Members

- a. The Assessment Committee will determine whether AFN is in compliance with the First Nations Financial Management Board Standards. This will be performed through a self-assessment that compares AFN’s financial management systems and practices to the First Nations Financial Management Board’s Standards.
- b. The self-assessment should include the following:
 - i. Identification of all significant activities and a schedule of critical dates for completion of these activities;
 - ii. Assignment of the responsibilities and authority for all significant activities; and
 - iii. A description of all records to be maintained including records of response to any non-compliance.
- c. Any gaps or areas of non-compliance between AFN’s financial management systems and practices and the First Nations Financial Management Board Standards will be corrected as soon as possible.
- d. 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, Audit and Investment Committee by the Senior Financial Officer.
- e. In addition to the self-assessment process to be conducted by the Assessment Committee as set out in this policy, should the Senior Administrative Officer become aware at any time of any circumstances that could be considered a gap or area of non-compliance between AFN’s financial management systems and practices and the First Nations Financial Management Board Standards, the Senior Financial Officer will report these circumstances to the Finance, Audit and Investment Committee as soon as practicable along with the actions to be taken to remedy those circumstances.

F. References and Related Authorities

- (1) AFN Financial Administration Law

G. Attachments

None

Appendix A – ʔakisq̓nuk Planning and Budgeting Schedule

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 Administrative Officer, Senior Financial Officer, Finance, Audit, and Investment Committee, Council	November 15
Inspect and review of all Tangible Capital Assets to establish or update information.	Senior Administrative Officer	September 30
Each department prepares a thorough analysis and projection of all expenses for the budget year	Department Managers; Senior Financial Officer	December 1
Consolidate all draft budgets including capital budget into one master budget;	Senior Financial Officer	January 15
Multi-year plan and strategic plan developed or updated.	Senior Financial Officer; Senior Administrative Officer, Department Managers	January 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 replacement of the Tangible Capital Assets. The proposed budget for Rehabilitation and replacement of Tangible Capital Assets for the next fiscal year.	Senior Financial Officer	October 31
Senior management reviews draft budgets, multi-year plan, and strategic plan and discusses (iterative process) with Senior Financial Officer.	Senior Administrative Officer; Senior Financial Officer; Tax Administrator;	February 15
Present budget, multi-year plan, and strategic plan to Finance & Audit Committee for review, discussion, and modification.	Senior Financial Officer, Senior Administrative Officer, Finance & Audit Committee.	February 28

Task	Individual(s) responsible	Deadline
Incorporate Finance & Audit Committee changes to any of Planning Documents	Senior Financial Officer, Senior Administrative Officer, 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 Administrative Officer, Senior Financial Officer	March 1
Council receives budget/ multi-year plan / strategic plan and recommendation from the Finance, Audit, and Investment Committee. Council approves budget/multi-year plan/strategic plan based on recommendation from the Finance, Audit, and Investment Committee.	Finance, Audit, and Investment Committee; Council	March 1
Distribute approved budget and strategic plan to Department Managers and any other appropriate staff.	Senior Financial Officer	April 15
Prepare and submit to the Finance, Audit, and Investment Committee for review a draft amendment of the component of the annual budget respecting the local revenue account.	Senior Financial Officer	June 15
Finance, Audit, and Investment 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, Audit, and Investment Committee	June 30
Council approves amendment of the component of the annual budget respecting the local revenue account.	Council	July 15

Appendix B – Financial Reports List Template

Financial Reports	Person(s) Responsible	Timeline for Report Preparation	Report to be Provided to
Monthly Financial Information	Senior Financial Officer	Not more than forty-five (45) calendar days after the end of each month.	SAO and Department Managers
Quarterly Financial Statements	Senior Financial Officer	Not more than forty-five (45) calendar days after the end of each quarter of the fiscal year.	Council and Finance & Audit Committee
Annual Financial Statements	Senior Financial Officer	Not more than 120 calendar days after the end of the fiscal year for which they were prepared.	Council and Finance & Audit Committee
Annual Report	SAO & Senior Financial Officer	Not later than one-hundred and eighty (180) calendar days after the end of each fiscal year, as per the FAL.	Council and Finance & Audit Committee
Capital Projects	SAO	At each meeting of the Finance, Audit and Investment Committee, as per the FAL	Finance & Audit Committee
Remuneration and Expenses	Senior Financial Officer	Annually, and in a timeframe that provides for this report to be published in ʔakisq̓nuk First Nation’s annual report for the respective fiscal year, as per the FAL.	Finance & Audit Committee
Special Purpose Reports	Senior Financial Officer	Annually, and in a timeframe that provides for the special reports to be published in ʔakisq̓nuk First Nation’s annual financial statements and/or annual report, as per the FAL.	Finance & Audit Committee

Appendix C – Purchase Order Process

Appendix D – Purchasing Approval Limits within Approved Budget

Purchase Values <i>[amounts used for illustration only – will vary depending on AFN’s situation]</i>		Process to be followed:	Authority
Greater than \$0	Less than or equal to \$5,000	Low Value ¹	Department Manager
Greater than \$5,000	Less than or equal to \$50,000	Moderate Value	Department Managers and Senior Administrative Officer
Greater than \$50,000	Less than or equal to \$100,000	Moderate value	Senior Administrative Officer and Senior Financial Officer
Greater than \$100,000		High value: Tender Call/Request for Proposal	Council

Appendix E – Local Content

AFN should promote the use of local content when appropriate in the procurement of goods and services. For construction contracts on reserve lands, AFN 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, AFN should establish:

- The extent of labour and trades available locally
- Quantities and firm prices of locally available materials
- Local equipment available and firm rental rates
- 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 – 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 AFN?</i>	##	##
4.	Has the organization worked previously with AFN? Provide details and an evaluation of the work.	<i>Evaluate the AFN previous experience with this supplier</i>		
5.	xxxx			
6.	xxxx			
7.	xxxx			
8.	xxxx			
9.	xxxx			
10.	xxxx			
11.	Price	<i>Evaluation of the price, results of previous criteria.</i>		
12.	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:

- Contractor/Supplier response to RFP/Tendering
- Results of any previous contractor/supplier evaluations
- Other supporting information as required

Appendix G - Reimbursable Expenses Claim Template

Employee name: _____

Title: _____

Date: _____

Reason for claim:

Description of the claim and why it was necessary for the ʔakisq̓nuk business

Declare any third-party funding / reimbursements received from 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	Sep 1	Return flight to Vancouver Aug 7-9	Airfare	\$500.00	-	\$500.00
			Taxi			
			Hotel			
			Per diem / incidentals			
			Membership			
			Etc.			
Total Claimed:				xxx.xx		\$xxx.xx
Less: travel advance (if applicable)						(\$xxx.xx)
Total to be reimbursed:						\$xxx.xx

Employee signature: _____

Date: _____

Approval signature: _____

Date: _____

Appendix H – 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 ʔakisq̓nuk 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"> Land acquired for parks and recreation and recreation, conservation purposes, building sites and other programs Land purchased for construction of road surface, drainage areas and allowances or future expansions
Land improvements	<ul style="list-style-type: none"> Fencing and gates, parking lots, paths and trails, landscaping, swimming pools and playgrounds Site preparation in advance of commercial or residential development
Buildings	<ul style="list-style-type: none"> Buildings with fireproofed structural steel frames with reinforced concrete or masonry floors and roofs Buildings with reinforced concrete frames and concrete or masonry floors and roofs Buildings with masonry or concrete exterior walls, and wood or steel roof and floor structures, except for concrete slabs on grade Operational storage facilities, sheds, small buildings, salt sheds, asphalt tanks, inventory storage buildings and pump houses
Building improvements	<ul style="list-style-type: none"> 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
Leasehold and occupancy improvements	<ul style="list-style-type: none"> Improvements that increase the functionality of leased or similar accommodations (refer to the assets listed under the "building improvements" category)
Operating equipment	<ul style="list-style-type: none"> Equipment specific to maintenance, shop and sanitation, laboratories, medical, dental, safety, appliances, scientific research, hospitals, education and communication such as forklifts, welding machines, utility trailers, security systems, snowploughs, radios, freezers, refrigerators, washers, meters, defibrillators
Heavy equipment	<ul style="list-style-type: none"> Power and construction equipment such as graders, tractors, cranes, drill rigs, caterpillars, and trucks one tonne and over
Vehicles	<ul style="list-style-type: none"> Used primarily for transportation purposes such as automobiles, trucks under one tonne, vans, boats, all-terrain vehicles, snowmobiles, motorcycles, and ambulances

Capital Asset Category	Examples of Capital Assets
Computer software	<ul style="list-style-type: none"> Off the shelf software and related upgrades, software licenses after removing any maintenance or similar charges
Computer hardware	<ul style="list-style-type: none"> Servers, voice logging equipment, scanners, printers, hard drives, external hard drives, and plotters
Office furniture and equipment	<ul style="list-style-type: none"> Desks, tables, chairs, filing cabinets, fax machines, photocopiers, videoconferencing stations, projectors, and digital cameras
Assets under construction	<ul style="list-style-type: none"> Roads, buildings or other Tangible Capital Assets that are under construction and have not yet been placed into service
Roads/streets	<ul style="list-style-type: none"> Roads or streets Light systems (traffic, pedestrian), signals for railways, new signage initiative, traffic calming (e.g. Rumble strips, speed bumps)
Water and sewer infrastructure	<ul style="list-style-type: none"> Dams, drainage facilities, docks, sewer systems, sewage lagoons, marinas, reservoirs, pumping facilities, tanks and associated infrastructure
Other infrastructure	<ul style="list-style-type: none"> Landfills, tanker bases, helipad, dump stations

Appendix I – Presentation and Disclosure Requirements

The following requirements relate to the preparation of AFN 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:

- (a) cost at the beginning and end of the period;
- (b) additions in the period;
- (c) disposals in the period;
- (d) the amount of any write-downs in the period;
- (e) the amount of amortization of the costs of Tangible Capital Assets for the period;
- (f) accumulated amortization at the beginning and end of the period; and
- (g) net carrying amount at the beginning and end of the period.

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.

Appendix J – Fraud Risk Assessment Guidelines

This document provides examples and considerations for AFN with respect to the risk of fraud and antifraud programs and controls and is written in the context of the Committee of Sponsoring Organizations (“COSO”) of the Treadway Commission’s Internal Control – Integrated Framework.

Below are the five components derived from COSO’s 2013 Internal Control – Integrated Framework that AFN may consider with respect to their responsibilities for designing and evaluating antifraud programs and controls.

1. Performing Fraud Risk Assessments
2. Creating Control Environment
3. Designing and Implementing Antifraud Control Activities
4. Sharing Information and Communication
5. Monitoring Activities

Performing Fraud Risk Assessments

Fraud Risk assessments are designed to identify and evaluate Fraud Risk factors that could enable fraud to occur within AFN. Every organization has inherent Fraud Risks that arise from internal and external conditions relative to AFN’s operations, geographical location, size, organizational structure and general economic conditions.

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 Senior Administrative Officer has the primary responsibility for performing Fraud Risk assessments. Ideally, the Senior Administrative Officer should identify a risk assessment team to conduct the risk assessment. Individuals from throughout AFN’s financial management systems with different knowledge, skills, and perspectives should be involved in the risk assessment. Such members of the risk assessment teams should include personnel such as:

- Senior Administrative Officer and Senior Financial Officer;
- Finance Staff who are familiar with the financial reporting process and Internal Controls;
- Non-financial information technology personnel, to leverage their knowledge of day-to-day operations; and
- External legal or accounting advisors.

The Finance, Audit and Investment Committee should have an active role in the oversight of process, understand identified Fraud Risks, and evaluate AFN’s implementation of antifraud measures. The Finance, Audit and Investment Committee, together with Senior Administrative Officer 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

There is no one standard method by which AFN may evaluate and implement its Fraud Risk assessment. The following is a list of some of the questions management to consider when completing Fraud Risk Assessment template.

- Are there events or conditions that indicate an incentive or pressure to commit fraud? These incentives, rewards and pressures are associated with achievement of objectives.
- 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 AFN'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?
- Has there been past allegations of fraud or fraud within the associated membership, partnership or in AFN?
- Are there unusual financial trends or relationships identified in the past and potential role of weak information technology controls that could play in enabling fraudulent activity to occur?
- Are there controls that mitigate the risk of management and council's override of controls? Does the Fraud Risk assessment include the vulnerability of Internal Controls to management override and potential schemes to circumvent existing control activities?
- 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, Audit and Investment Committee members have sufficient oversight of management's antifraud programs and controls?
- Does AFN 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?
- Does the chief and council have a proper tone at the top? Does the management assess the tone of the leadership of AFN to determine if the culture encourages ethical behaviour, consultation and open communication? This assessment can be made through anonymous surveys (i.e. Third-party whistleblower service providers), inquiries, interviews or by external auditors during their annual financial statement audit engagements.
- Does AFN 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 AFN?
- Is information on ethics and management and council's commitment to antifraud programs and controls effectively communicated throughout AFN to all employees?
- Has management linked identified existing Fraud Risks to existing Internal Control and documented mitigating existing or new antifraud control activities related to the Fraud Risks?

Creating a Strong Control Environment

Emphasis should be placed on AFN's control environment as it influences the tone of the entire organization. Control environment factors include the integrity, ethical values, and competence of AFN's management and employees and have a pervasive effect on AFN's operations and governance structure.

The control environment should set the proper "tone at the top" which includes a culture and work environment that promotes open communication, consultation and ethical behaviour. It 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 AFN's attitude towards fraud and fraud prevention; and
- Promote effective controls to prevent, deter and detect fraud.

All employees of AFN have a role in the control environment. Management, councillors and Finance, Audit and Investment Committee members have the primary responsibility of creating the tone at the top. The Finance, Audit and Investment Committee should take an active role in the oversight of management's efforts to design and implement Internal Controls, including antifraud programs and controls and should challenge management to ensure that Fraud Risks are identified and that appropriate control activities are implemented and monitored.

Designing and Implementing Antifraud Control Activities

After Fraud Risk assessments are performed, Senior Administrative Officer should address each identified Fraud Risk by determining whether control activities exist and mitigate the risks. Control activities are policies and procedures designed to address risks and help ensure the achievement of AFN's objectives.

Where control activities are not already present, Senior Administrative Officer should design and implement additional controls to specifically address the identified Fraud Risks.

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, Audit and Investment Committee; whistleblower programs and system to receive and investigate anonymous complaints; 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.

AFN's code of conduct or ethics is often the first line of communication concerning its philosophy on fraud prevention. Other communication methods should be used to create awareness of antifraud programs and

controls. Examples would include AFN's newsletters, intranet sites, training and through presentations led by Council or management.

Monitoring Activities

Senior Administrative Officer and the Finance, Audit and Investment Committee should monitor the quality and effectiveness of antifraud programs and controls. Ongoing monitoring procedures should be built into operating activities. 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 control activities.

Some monitoring activities can be automated in nature and as such 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 – Fraud Risk Assessment

Identified Fraud Risks and Schemes ¹	Likelihood ²	Significance ³	People/ Department ⁴	Existing Anti-Fraud Controls ⁵	Assessment of Anti-Fraud controls ⁶	Fraud Risk Response ⁷
<i>Conflict of Interest – Contracts improperly awarded</i>	<i>Remote</i>	<i>Material</i>	<i>Accounting</i>	<i>Council reviews and approves awarded contracts prior to payment.</i>	<i>Evidenced by council meeting minutes.</i>	<i>Risk of council override exists.</i>
<i>Recording of rent receipts in incorrect periods</i>	<i>Remote</i>	<i>Insignificant</i>	<i>Accounting</i>	<i>Year-end reconciliation of the rent revenue and receivables</i>	<i>Risk of override still exists</i>	<i>No further action, receipts are minimal.</i>
<i>Unauthorized payroll adjustments</i>	<i>Reasonably Possible</i>	<i>Material</i>	<i>Payroll</i>	<i>Finance Manager approves periodic payroll registers and reviews one-time payment queries</i>	<i>Adequately mitigated by control</i>	<i>N/A</i>

1. **Identified Fraud Risks and Schemes:** This column should include a full list of the potential Fraud Risks and schemes that may face AFN. 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 AFN 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 AFN:** Quantitative and qualitative factors should be considered when assessing the significance of Fraud Risks to AFN. For example, certain Fraud Risks may only pose an immaterial direct financial risk to AFN, 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 AFN 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:** Map pre-existing controls to the relevant Fraud Risks identified. Note that this occurs after Fraud Risks are identified and assessed for likelihood and significance. By progressing in this order, this framework intends for AFN to assess identified Fraud Risks on an inherent basis, without consideration of Internal Controls.

6. Assessment of Mitigating Controls: AFN should evaluate whether the identified controls are operating adequately 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 risks. The Fraud Risk response could be implementing additional controls.

Appendix L – 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>					
1	<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>
2						
3						
	<i>Risk Category (i.e. For-profit business, loans, indemnities, investments, insurance, and emergency)</i>					
1						
2						
3						

Appendix M – Examples of Risks to Consider

Types / Causes	Examples	
Natural Events	Flooding Earthquake Hurricane Landslide	Snow / ice storm Tornado Windstorm
Human Events	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
Technological Events	Alteration of data Alteration of software Disclosure Hardware failure Power failure / fluctuation	Explosion / Fire Malicious code Software error Telecom outage Vandalism / cyber- vandalism

Appendix N – Sample Risk Assessment Template

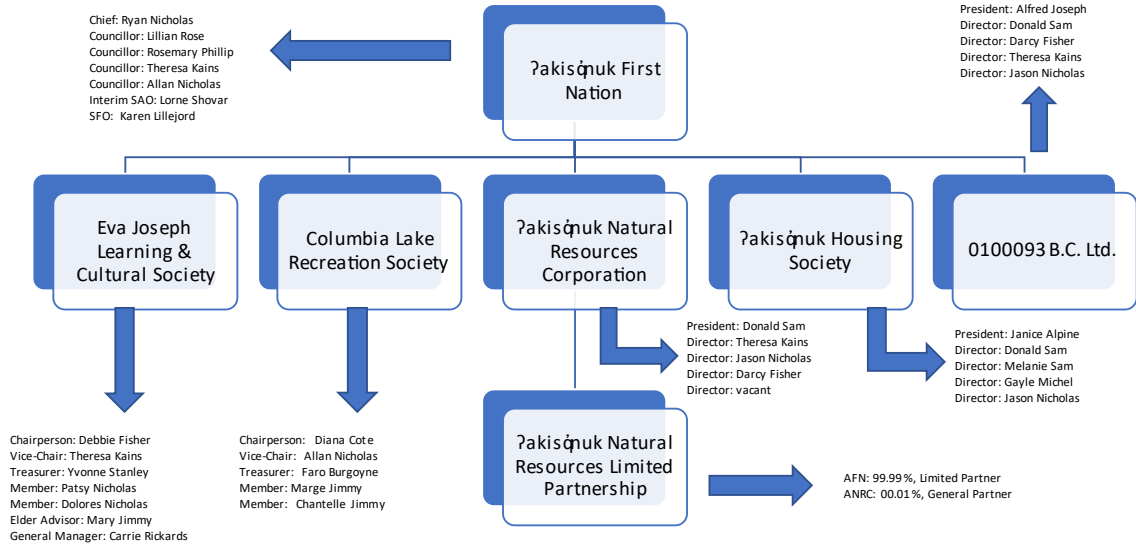
Risk	Description / Operations affected	Impact 1 low – 5 high	Likelihood 1 low- 5 high	Overall risk level (average of impact/ likelihood)	Plan required?
Fire at ?akisq̄nuk office	a. Building could be inaccessible for a long period b. Financial records may be destroyed c. IT systems damaged / destroyed d. Threat to health and safety of staff	5	1	3	Yes

Appendix O – Emergency Plan

Appendix P – Corporate Organizational Chart

Corporate Organization Structure

As of: October 8, 2020



Appendix Q – Organizational Chart