

Statement of Policy and Procedure	
Policy No.	P005-R1
Department Ownership	FINANCE
Issue/Effective Date	November 9, 2016

**ᐱᐱᐱᐱᐱᐱ First Nation**

## Finance, Audit and Investment Committee Policy

**Approved by Council on November 9, 2016**

**Policy: No. 005**  
**Issue Date: November 9, 2016**

## 1. Policy

It is the policy of the Chief and Council of ʔAkisq̓nuq First Nation (AFN) and a requirement of the AFN's Financial Administration Law to establish and maintain a Finance, Audit and Investment Committee ("the Committee") to assist Council in carrying its oversight responsibilities for financial reporting, internal control, and risk management processes.

## 2. Purpose

The purpose of this Policy is to set out the composition, responsibilities, and procedures in establishing and maintaining a Finance, Audit and Investment Committee.

## 3. Scope

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

## 4. Definitions

**"eligibility criteria"** are the council specified requirements which must be met by an individual in order to be considered independent and eligible to be appointed as a member of the Finance, Audit and Investment Committee.

**"financial competency"** is the ability to read and understand general purpose financial statements that present accounting issues and disclosures reasonably expected to be raised by AFN's financial statements.

**"terms of reference"** is a documented statement of the mandate, objectives, purpose, scope, functions and rules under which the Committee is expected to operate.

**"financial reporting risk"** is the possibility of an undetected material misstatement in financial information due to the existence of ineffective internal control or fraud resulting from manipulation or alteration of accounting records, misrepresentation or intentional omissions of transactions, or intentional misapplication of accounting principles.

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

**"independence"** exists between AFN and an individual when the individual does not have a direct or indirect relationship with AFN government that could, in the opinion of council, reasonably interfere with the individual's exercise of independent judgment as a member of the Finance, Audit and Investment committee.

**"internal control"** is a process, effected by AFN's Council, Finance, Audit and Investment Committee, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

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

## 5. Responsibilities

(1) Subject to AFN's Financial Administration Law, the Council is responsible for:

- assigning to the Committee any responsibilities or functions in addition to those set out in the Law;
- approval of the Terms of Reference for the Committee;
- determining the eligibility criteria of the Committee members, chairpersons and vice-chairpersons;
- determining the requirements of financial competency to be met by the majority of the Committee members;
- confirming, before appointment, that each potential member of the Committee is eligible to be a member and is independent;
- ensuring that each member of the Committee signs a statement annually, confirming that they continue to meet the eligibility criteria and remain independent;
- the appointment of the Chairperson and the Vice-Chairperson of the Committee and the filling of any vacancies in those offices;
- evaluating the effectiveness of the Committee;
- providing the Committee with the resources it might need to carry out its functions;
- requiring the Council to consider any recommendations or advice provided by the Committee; and
- [If the chairperson is not a councillor] sending notices and agendas of all council meetings to the chairperson.
- [If the chairperson is not a councillor] upon request of the chairperson, providing the chairperson with any materials or information provided to Council respecting matters before it.

(2) The Senior Administrative Officer is responsible for:

- maintaining the current Committee member list;
- tracking the financial competency of each Committee member;
- keeping the Chair of the Committee current in a timely fashion on major developments and provide the Committee with sufficient information on a timely basis to enable the Committee to discuss potential issues, make decisions, and fulfill its mandate;
- assisting the chair of the Committee in planning and making necessary arrangements for setting agendas, giving required meeting notices and holding meetings;
- attending each Committee meeting, unless excused by the chair for a reasonable reason or excluded from attendance by vote of the Committee as provided in AFN's Financial Administration Law.

(3) The Senior Financial Officer is responsible for:

- (a) attending each Committee meeting, unless excused by the chair for a reasonable reason or excluded from attendance by vote of the Committee as provided in AFN's Financial Administration Law;
- (b) providing technical and professional support to the Committee as requested or as required in AFN's Financial Administration Law.

(4) The Finance, Audit and Investment Committee Chairperson is responsible for:

- (a) facilitating the Committee's interaction with Senior Management;
- (b) chairing the Committee meetings and ensuring they are conducted in an efficient and effective manner;
- (c) planning the Committee's activities to ensure that the Committee is successful in fulfilling its mandate and addressing its functions, duties and responsibilities;
- (d) preparing the Committee's agendas;
- (e) ensuring and that minutes are recorded at each duly called meeting;
- (f) recruiting qualified Committee member candidates and recommending them to Council;
- (g) evaluating committee members and their contributions;
- (h) reporting to Council on behalf of the Committee.

(5) Committee Members are responsible for:

- (a) preparing for meetings by reading reports and background materials prepared for each meeting and acquiring adequate information necessary for decision making;
- (b) actively participating in the Committee's deliberations;
- (c) attending all scheduled Committee meetings subject to reasonable exceptions acceptable to the Chairperson;
- (d) becoming knowledgeable of the Committee functions and statutory responsibilities under AFN's Financial Administration Law;
- (e) maintaining direct, open and frank communications with management, the Committee, the Auditor and other advisors as appropriate;
- (f) ensuring that they have the minimum level of financial competency necessary to fulfill their responsibilities;
- (g) ensuring that they maintain their independence as required in AFN's Financial Administration Law;
- (h) avoiding conflicts of interests and complying with conflict of interest policies and procedures established by Council and described in the Financial Administration Law;
- (i) reviewing and making recommendations to the Council on the terms of reference of the Committee.

## **6. Procedures**

### ***Appointment and Removal of Members***

- (1) Subject to AFN's Financial Administration Law, the Council will appoint the Chairperson and Vice-Chairperson of the Finance, Audit and Investment Committee by a majority vote, at least one (1) of whom shall be a Councillor.
- (2) The Council must establish its Finance, Audit and Investment committee consisting of at least three (3) members.
- (3) The Council, upon recommendation of the Chairperson, will appoint the members of the Committee, a majority of whom must have financial competency and all of whom must have independence and meet eligibility criteria established by Council.
- (4) A Committee member may be removed from office by majority vote of Council if:
  - (a) the member has unexcused absences from three (3) Audit Committee meetings within a twelve (12) month period;
  - (b) the member breaches the First Nations Fiscal Management Act or AFN's Financial Administration Law;
  - (c) the member is convicted of an offence relating to theft, fraud, or breach of trust;
  - (d) the member becomes insolvent; or
  - (e) the Chair recommends removal.

### ***Term Requirements***

- (1) Subject to AFN's Financial Administration Law, when making appointments to the Committee, Council will endeavor to ensure that no more than half of the members' terms will expire in any one fiscal year.
- (2) The Senior Administrative Officer will maintain a register of Finance, Audit and Investment Committee members which will, for each member, include the date of appointment or re-appointment, the term of the membership, and the term end date and which will track independence and financial competency issues for each member.
- (3) Upon any changes in the Committee membership, the Senior Administrative Officer will report to Council on the term end dates for each member of the Committee.
- (4) The term of a Committee member will be at least two (2) complete fiscal years.
- (5) The terms of office of members of the Finance, Audit and Investment Committee are staggered to ensure the continuing effectiveness of the committee and to provide for succession planning.

- (6) If a Finance, Audit and Investment Committee member is removed from office, dies, or resigns before their term expires, the Council must as soon as practicable appoint a new Finance, Audit and Investment Committee member to hold office for the remainder of the term.

### ***Eligibility Criteria***

- (1) The eligibility criteria of a Finance, Audit and Investment Committee member, except as required under Appendix A – Finance, Audit and Investment Committee Terms of Reference, include:
  - a) the individual must be independent;
  - b) the individual must have some financial competency, as outlined in Appendix B – Financial Competency Guidelines;
  - c) the individual must not have been convicted of an offence relating to theft, fraud, or breach of trust within the previous ten (10) years; and
  - d) the individual must not be or have been declared insolvent within the previous five (5) years.
- (2) The Council will document the criteria for independence of a Finance, Audit and Investment Committee member by specifying that the individual does not have a direct or indirect financial relationship with AFN government that could, in the opinion of council, reasonably interfere with the individual's exercise of independent judgment as a member of the Finance, Audit and Investment Committee.
- (3) The Council will establish the criteria for financial competency of a Finance, Audit and Investment Committee member that, in the opinion of council, reasonably fulfill the role and responsibilities of the Committee member and the effectiveness of the Committee.

### ***Committee Administration and Reporting***

- (1) Subject to AFN's Financial Administration Law, the quorum necessary for the transaction of business at Committee meetings will be 50% of the total number of Finance, Audit and Investment Committee members, including at least one (1) Councillor.
- (2) Subject to AFN's Financial Administration Law, the Finance, Audit and Investment Committee will meet at least quarterly and otherwise as necessary but in any event as soon as practical following receipt of the audited annual financial statements and report of the auditor.
- (3) Any member of the Committee may call meetings of the Committee.
- (4) All Councillors of AFN may attend meetings of the Committee provided, however, that no Councillor is entitled to vote at such meeting and is not counted as part of quorum for the Committee if he or she is not a member of the Committee.
- (5) The external auditor may attend and be heard at meetings of the Committee.
- (6) The Committee will maintain written records of attendance at its meetings of Committee members and of any ex-officio member such as the Senior Administrative Officer, and the Senior Financial Officer.

(7) The Committee will provide minutes of its meetings to the Council and the Chairperson will provide reports to Council as appropriate on the substance of meetings at the next Council meeting following a Committee meeting.

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

(a) AFN's Financial Administration Law

### **Attachments**

**Appendix A** – Finance, Audit and Investment Committee Terms of Reference

**Appendix B** – Finance Competency Guidelines

## Appendix A – Finance, Audit and Investment Committee Terms of Reference

### Finance, Audit and Investment Committee Terms of Reference

**Members:** At least one (1) Councillor must be a member of a committee consisting of three (3) members and at least two (2) Councillors must be members of a committee consisting of four (4) or more members. Council will formally appoint Committee members by motion of Chief and Council, including a chairperson and a vice-chairperson, one of whom must also be a member of Council. Each Committee member will perform their role in an objective, fair, and impartial manner. The majority of the Committee members must have Financial Competency and all of the members must have Independence.

Members will be selected through a general call for volunteers. Selection of members will take into consideration the availability and attributes of respondents.

The majority of Committee membership will be ᐱAkisᓄnuknik and open to all ᐱAkisᓄnuk First Nation Members regardless of where they reside. Members who reside out of the immediate area may participate through teleconference or other digital means.

Unless otherwise approved by Chief and Council, travel, accommodation or other expenses related to the participation on this committee will not be provided.

**Conduct:** Committee members will conduct all business in a fair, honest, and professional manner and will refrain from bringing personal biases and negative opinions to the meeting discussion unless there is a direct bearing on the issue under debate.

Committee members will consider themselves as examples to the community in their conduct while on Committee business.

**Quorum:** Quorum necessary for the transaction of business at Committee meetings will be fifty percent (50%) of the total number of voting members of the Committee, including at least one (1) Councillor.

With the exception of adjourning the meeting, if quorum is not present, no decisions shall be made; no motions may be brought to the floor; and no voting may be conducted.





The Senior Administrative Officer and Senior Financial Officer must be notified of all meetings and must attend those meetings, subject to reasonable exceptions.

The auditor of AFN must receive notices of all meetings and may attend and be heard at such meetings.

Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared. The Chairperson will report key decisions and areas of discussion or concern to Council at the next Council meeting immediately following each Finance, Audit and Investment Committee meeting or in writing if the information needs attention in a timely manner.

The Senior Administrative Officer or Senior Financial Officer may be excluded from all or any part of a Committee meeting at the discretion of the Committee - decided by a recorded vote.

**Resources:** The Committee may, within reason and upon approval of the Senior Administrative Officer, utilize meeting space, office equipment, supplies, administrative support and other resources of the AFN necessary to conduct their work.

Committee members will be provided with an honorarium in accordance with the relevant sections of the current AFN financial policies or as otherwise determined and approved by Council.

The Committee may request specific resources from time to time as needed.

**Responsibilities:** **Financial Accounting and Reporting Oversight**

- a) Review monthly financial information of AFN;
- b) Subject to AFN's Financial Administration Law, review draft annual budgets and multi-year financial plans and recommend them to Council for approval;
- c) Monitor the financial performance of AFN against the budget and report any significant variations and their reasons to Council;
- d) Review the quarterly and annual financial statements of AFN and recommend them to Council for approval;
- e) Review the annual financial statements of AFN's Local Revenue Account and recommend them to Council for approval;
- f) Review the annual special purpose reports of AFN and recommend them to Council for approval;
- g) Review the annual report of AFN and recommend it to Council for approval;
- h) Make any other recommendations to Council on any matter respecting the financial administration of AFN;

- i) Review managements approach for safeguarding AFN's assets and information systems, the adequacy of staffing of key financial functions and their plan for improvements;
- j) Review with management and the external auditors emerging accounting issues and their potential impact on AFN's financial reporting;
- k) Review with management AFN's financial policies and compliance with such policies.

#### **Auditor Oversight**

- a) Make recommendations to Council on the selection, engagement and performance of AFN's independent auditor;
- b) Receive assurances on the independence of a proposed or appointed auditor;
- c) Review and make recommendations to Council to approve the annual audit plan of the external auditor, including the scope of the audit to be performed and the estimated audit fees;
- d) Review and make recommendations to Council respecting the audited annual financial statements, including the audited local revenue account financial statements and any special purpose reports;
- e) Review any management letters containing recommendations of the external auditor and management's response;
- f) Recommend to Council pre-approval of all audit, audit-related and non-audit services to be provided to AFN by the external auditor;
- g) Periodically review, and make recommendations to Council respecting policies, procedures and directions on reimbursable expenses and perquisites of Councillors, officers and employees;
- h) Monitor financial reporting risks and fraud risks and the effectiveness of internal control designed to mitigate those risks taking into consideration the cost of implementing any change to internal control;
- i) Review AFN's *Financial Administration Law* and recommend amendments to Council;
- j) Review, and make recommendations to Council on, the terms of reference of the Finance, Audit and Investment Committee.

#### **Risk Management**

- a) Review the annual Risk Management Plan and Fraud Risk Assessment completed by the Senior Administrative Officer and provide input to the identification, monitoring and reviewing of the annual risk assessment process;
- b) Provide recommendations to Council regarding the annual Risk Management Plan and Fraud Risk Assessment;

- c) Provide updates to the Council of any significant changes to the assessment and adequacy of monitoring activities;
- d) Review requests for non-budgeted funding requests to AFN's business enterprises and make recommendations to Council.

#### **Investment**

- a) Monitor relevant legal, financial, treasury and tax issues and make recommendations to Council as appropriate;
- b) Develop an investment policy incorporating appropriate investment guidelines and constraints that meet any legal requirements, trustee responsibilities, and sound investment practices;
- c) Review performance of investments and ensure distributions are in compliance with the investment policy.

#### **Other**

- a) Review at least annually, expenses of Councillors and Senior Management and assess AFN's policies with respect to expense reimbursement or allowances;
- b) Evaluate at least annually, the adequacy of these terms of reference.

#### **Authority**

- a) The Committee is empowered to make such inquiry and investigation and require such information and explanation from management as it considers reasonably necessary and to require management to promptly inform the Committee of any material misstatement in the financial statements following discovery of such situation;
- b) After consultation with the Senior Administrative Officer, the Committee may retain a consultant to assist in the performance of any of its responsibilities.

