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# Financial Oversight and Internal Controls

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## Agenda

1. Governance – the Basics
2. The Finance and Audit Committee
3. Financial Controls
4. Financial Administration Law
5. Wrap Up

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# 1. Governance – The Basics

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## **First Nations Governance means...**

“establishing rules to coordinate our actions and achieve our goals”

*Governance Toolkit – A Guide to Nation Building – Jody Wilson-Raybould, Tim Raybould*

## **Financial Governance is...**

“....the process of how an organization manages decision-making. Governance describes who has the power, who makes decisions, how others make their voices heard, and what goes into the reports and financial statements.”

*First Nations Financial Management Board (FNFMB)*



## **Governance System**

- Independent from, and above, the operating system
- Run by different people than the operating system
- Determines allocation of scarce resources to most effective uses
- Establishes strategies and objectives for the operating system

# Role of Councils and other Governing Bodies



## Financial Responsibilities of Council

Establish plans, objectives, and goals

Determine financial reporting needs

Review budget and ensure resources are allocated

Obtain and review internal financial reports

Ensure the finance function is adequately staffed

Determine if adequate internal control in place

Demonstrate transparency to the community

Ensure long-term financial stability

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## 2. The Finance and Audit Committee (FAC)

**OVERSIGHT, CONTROL, ADVICE**

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## Role of the FAC

Financial planning

Audit process

Financial reporting

Controls and risk  
management

## Committee Structure

Created by Council to  
Support Council

Committees do not assume  
Council responsibility – they  
review and recommend

Terms of Reference must be  
documented and approved  
by Council

Nations may wish to use a  
BCR to name the FAC  
members and Chair of FAC

Code of Conduct and  
Conflict of Interest  
documents should be signed

## Composition of FAC

Appointed by Council

Committee Members

External Members

Independent

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## 3. Financial Controls

**PREVENT, DETECT, MITIGATE**

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## Why Internal Controls are Important

- Internal controls increase assurance and reduce your compliance costs through a check and balance system.
- They also increase management and funders' confidence by delivering the assurance needed in your financial statements and reports.

# Management's Responsibilities for Internal Controls

Provide reliable accounting and operating information

Safeguard assets and records

Promote operational efficiency and effectiveness

Ensure compliance with laws and regulations

Prevent and detect errors, fraud or illegal acts

# FA Committee Responsibilities for Financial Controls

Review and recommend policies/laws



Identify and assess financial risks



Obtain management's confirmation of compliance to statutory requirements



Obtain independent assurance

## Sample Financial Controls (not necessarily all-inclusive)

Delegation of signing and approval authorities

Audited financial statements

Documented financial and administration policies

Interim financial statements

IT access and security policies

Segregation of duties in high-risk activities

Bank Reconciliation

Code of Conducts and Ethics



## **Sample Questions for FA Committees to Ask (not necessarily all-inclusive)**

- Do finance staff have the qualifications, training, and experience to perform their duties?
- Is there sufficient staff to complete tasks within required time frames?
- Are reports required by funding agreements submitted on time?
- Are higher risk areas arranged so there is adequate segregation of duties
- Do policies/laws exist to ensure processes are understood and controls are designed?
- How are travel and other discretionary expenses reviewed and approved?
- Are the signing authorities defined and followed?
- Does the external auditor have free and unrestricted access to all files and records to complete the audit?
- What are the key accounting policies in place? Is reporting on a cash or accrual basis (or both)?
- How does the organization protect its Information Technology systems?
- How do employees report inappropriate behavior in a safe and confidential manner?

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# 4. Financial Administration Law

**GUIDANCE FOR FINANCIAL  
OVERSIGHT AND CONTROL**

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## Finance and Administration Law (FAL)

Is a set of finance and governance practices that helps Councils and staff to make informed decisions and run their Nation well. A nation that operates by its FAL commits to good governance and finance practices over the long-term.

## Importance of Finance and Administration Law

FAL makes good governance easier

Makes a Nation more stable and strengthens members' confidence in how it is run



## Composition of FAL

Expectations of Council

Finance and Audit Committee

Officers and Employees

## Responsibilities of FAL

Administration

Financial Management

Tangible Capital Assets

Reporting Breaches

## Supports for Developing your (FAL)

- FMB can support your Band/Nation:
  - To develop finance and accounting manuals and policies
  - Through the process of developing your FAL
- This support comes at no extra cost to your Nation and is based on your timetable

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## 5. Wrap Up

### CONCLUDING REMARKS

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## Summary

- Finance and Audit Committee has an essential role by overseeing financial performance for the organization
- Financial reports must be available on a timely basis
- Committee needs to ensure those performing finance duties in the organization are capable with sufficient capacity
- Committee needs to take a leadership role in policy/law development including implementation of controls
- The Committee needs independent assurance by an external audit of the accuracy of the financial statements





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Anwunikit

Niawen

Meegwetch

Mahsi

Ekosi

‘Doy-gg

Mussi Cho

*Thank you*



# Thank you!

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