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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





#### 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)

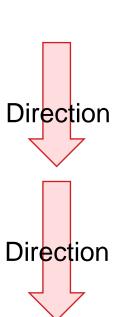


#### **Governance System**

- 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



Communities, funders, owners, members, etc

Council/other governing body

Management, staff, volunteers







### **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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#### Role of the FAC

Financial planning

Audit process

Financial reporting

Controls and risk management



#### **Committee Structure**

Created by Council to Support Council

Terms of Reference must be documented and approved by Council

Committees do not assume Council responsibility – they review and recommend

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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#### 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?





# 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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#### **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



Anwunikit
Niawen
Meegwetch
Mahsi
Ekosi

'Doy-gg Mussi Cho Thank you





### Thank you!

For additional information please contact:

AFOA Canada
Suite 301-1066 Somerset Street West
Ottawa, ON K1Y 4T3
613-722-5543

Toll Free: 1-866-722-2362

info@afoa.ca http://www.afoa.ca