

# Financial Administration System Standards



First Nations Financial Management Board

Prepared to Accompany

Draft Law Standards

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## FIRST NATIONS FINANCIAL MANAGEMENT BOARD

### FINANCIAL ADMINISTRATION SYSTEM STANDARDS

#### Background

The *First Nations Fiscal and Statistical Management Act (FSMA)* establishes several first nation institutions – the First Nations Tax Commission (FNTC), the First Nations Financial Management Board (FMB) and the First Nations Finance Authority (FNFA) - with mandates designed to permit first nations access to financial markets on a similar basis as municipalities and local governments in Canada.

Working in a collaborative framework these three institutions facilitate the voluntary development of first nation capacity to access these markets – by assisting them to use their available tax bases to secure funding; by assisting them to implement a sound financial administration system in which investment bankers would have confidence; by negotiating on their collective behalf the borrowing of funds from these financial markets.

In order for a first nation to access these markets through this legislative program, the first nation must become a “borrowing member” of the First Nations Finance Authority. Before a first nation is eligible to be considered for membership in the FNFA, the FMB must issue a Borrowing Member Qualification Certificate to the first nation indicating that it meets the standards set by the FMB under the *FSMA*. For these purposes the FMB Board of Directors has issued *Financial Administration Law Standards (Law Standards)* and *Financial Administration System Standards (System Standards)*.

The FMB Board of Directors has also issued the *Law Approval and System Certification Procedures (Procedures)* to guide first nations who are applying for a certificate from the FMB to become eligible for membership in the FNFA. At the beginning of these *Procedures* is a flowchart that also explains the steps to be taken in this process towards certification.

On application of a first nation, the FMB will issue a certificate to that first nation to be eligible to become a “borrowing member” when the following occurs:

- first, the first nation must submit to the FMB a financial administration law that the FMB Board of Directors determines meets the requirements of the *Law Standards* and that is approved by the FMB Board of Directors;
- second, the first nation must demonstrate by way of an operational review conducted by a FMB reviewer and considered by the FMB Board of Directors that the first nation’s financial administration system is in material compliance with the *System Standards*.

To assist first nations the FMB has prepared and made available to first nations a Sample Financial Administration Law (Sample Law) which meets the requirements of the *Law Standards* and which reflects sound financial administration practices of local, provincial and federal government in Canada.

All of the documents referred to here are available from the FMB.

The *System Standards* contained in this document apply to the operational review of a first nation's financial administration system to determine whether

- the system is operating in material compliance with these *System Standards*, and
- FMB will issue a Borrowing Member Qualification Certificate to the applicant first nation to enable the first nation to become an FNFA borrowing member.

These *System Standards* were prepared after review of the following laws, standards and agreements:

- existing first nation financial administration laws publicly available to the FMB – including laws available from first nation web sites or provided to the FMB, laws published in the *First Nations Gazette* and sample laws (and related materials) of the Aboriginal Financial Officers Association of Canada and of the First Nations Indian Taxation Advisory Board (now the FNTC)
- treaty provisions relating to financial administration
- financial administration requirements for local governments in Canada
- financial administration laws of Canada and of several provincial governments
- *First Nations Fiscal and Statistical Management Act*, regulations (under development) to the Act and FNTC sample local revenue laws and standards (under development)
- section 83 of the *Indian Act* and first nation assessment, taxation, rates, budget and other laws made under the Act
- the elements of the *First Nations Land Management Act* and of the *First Nations Oil and Gas and Moneys Management Act* relevant to financial administration
- sample agreements between Canada and first nations and between provinces and first nations respecting programs and services funding
- COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework for internal control
- PSAB (Public Sector Accounting Board) Common Government Reporting Model including Statement of Principles and research study - the Assessment of Tangible Capital Assets and Guide to Accounting for and Reporting Tangible Capital Assets
- CICA (Canadian Institute of Chartered Accountants) Study: Financial Reporting by First Nations.

On the basis of a comparative analysis of the above, the *Law Standards*, the Sample Law and the *System Standards* were developed. These documents were refined (and will continue to be refined as necessary) through a lengthy process of FMB internal review and revision that has involved members of the former First Nations Financial Management Board Advisory Panel

(which directed *FSMA* legislative development), the FMB Board of Directors and FMB technical advisors, including lawyers and accountants experienced in first nation advisory services. Advice on financial market expectations applicable to local government bond financings has also been obtained.

FMB has carried out case studies of the potential requirements of the standards and procedures with several representative first nations, to test document and system content and application. The FNTC and FNFA have reviewed and provided comment on the FMB standards, procedures and sample laws to ensure they do not conflict with FNTC and FNFA authorities applicable to scheduled first nations including FNFA borrowing members.

In addition to the materials reviewed in the development of the financial administration law standards and sample law, the following standards and materials were reviewed:

- Various ISO (International Organization for Standardization) Standards, including ISO 9001 (Fundamentals for Quality Management Systems) and ISO 17021 (Guidelines for Certification Bodies)
- IWA4 (ISO International Workshop Agreement #4) – Guidelines for the Application of ISO 9001:2000 “Quality Management Systems for Local Governments”
- ISO/IEC (International Electrotechnical Commission) Directives, Part 2 – Rules for the Structure and Drafting of International Standards
- CICA (Canadian Institute of Chartered Accountants) Handbook and Study Group documents
- additional Public Sector Accounting Board materials
- Excerpts from TSX (Toronto Stock Exchange) materials.

# FIRST NATIONS FINANCIAL MANAGEMENT BOARD

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# FINANCIAL ADMINISTRATION SYSTEM STANDARDS

## INTRODUCTION

### 1.0 PURPOSE OF STANDARDS

**1.1 Core Standards** – The Core Standards in these *Financial Administration System Standards* establish basic requirements for sound financial practices for the operation, management, reporting and control of the financial administration system of a first nation and include the testing of the first nation’s implementation of the requirements of its financial administration law.

**1.2 Local Revenue Standards** – The Local Revenue Standards in these *Financial Administration System Standards* are in addition to the Core Standards and include the testing of the first nation’s implementation of the requirements of its local revenue laws.

**1.3 Objective measurements** – These *Financial Administration System Standards* also include the means to objectively measure compliance with their requirements.

**1.4 Caution** – These *Financial Administration System Standards* are not intended to provide a means to assess every requirement of the financial administration system of a first nation and should not be relied upon for that purpose.

### 2.0 CERTIFICATION PROCEDURES

**2.1 Application of Procedures** - The *Law Approval and System Certification Procedures* apply to these *Financial Administration System Standards*.

### 3.0 OPERATIONAL REVIEW

**3.1 Operational review required** – The *Law Approval and System Certification Procedures* include a requirement that an operational review be carried out by the Board of the financial administration system of the first nation.

**3.2 Confirmation of material compliance** – The purpose of the operational review is to provide the Board with information to enable it to confirm whether the first nation’s financial administration system at the time of the review is established and is being managed and operated in material compliance with these *Financial Administration System Standards*.

### 4.0 BOARD CERTIFICATION

**4.1 Certification for borrowing member status** – Before the Board will certify a first nation as eligible for acceptance by the First Nations Finance Authority as a borrowing

member, the first nation must demonstrate that at the time of the review the first nation's financial administration system is established and is being managed and operated in material compliance with these *Financial Administration System Standards*.

## 5.0 INTERPRETATION OF STANDARDS

**5.1 Definitions** - Unless the context indicates otherwise, in these *Financial Administration System Standards*:

**“Act”** means the *First Nations Fiscal and Statistical Management Act*;

**“auditor”** means the auditor for the first nation appointed by the council;

**“Board”** means the First Nations Financial Management Board;

**“Board standards”** mean the standards made by the Board under the Act;

**“borrowing member”** means a first nation that has been accepted as a borrowing member under section 76 (2) of the Act and has not ceased to be a borrowing member under section 77 of the Act;

**“council”** means the council of the first nation;

**“councillor”** means a member of the council of the first nation;

**“FAL”** means a financial administration law of the first nation;

**“financial administration”** includes financial management, financial performance and accountability;

**“financial institution”** means the First Nations Finance Authority, a bank, credit union or caisse populaire;

**“financial competency”** means the ability to read and understand financial statements that present accounting issues reasonably expected to be raised by the first nation's financial statements;

**“first nation lands”** mean all reserves of the first nation within the meaning of the *Indian Act*;

**“first nation law”** means any law, including any bylaw or code, of the first nation made by the council or the membership of the first nation;

**“first nation's tangible capital assets”** mean all non-financial assets of the first nation having physical substance that

- a. are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets,

- b. have useful economic lives extending beyond an accounting period,
- c. are to be used on a continuing basis, and
- d. are not for sale in the ordinary course of operations;

**“fiscal year”** means the period beginning on April 1<sup>st</sup> of one year and ending on March 31<sup>st</sup> in the next year;

**“GAAP”** means generally accepted accounting principles of the Canadian Institute of Chartered Accountants, as amended or replaced from time to time;

**“including”** means ‘including, but not limited to’;

**“local revenue account”** means the local revenue account referred to in section 13 of the Act;

**“local revenue law”** means a local revenue law made by the first nation under the Act;

**“local revenues”** mean money raised under a local revenue law;

**“officer”** means the senior manager, senior financial officer, tax administrator and any other employee of the first nation designated by the Council as an officer;

**“record”** means anything on which information is recorded or stored by any means whether graphic, electronic, mechanical or otherwise;

**“policy”** means the overall intentions and directions of the council respecting specified subject matter;

**“procedure”** means the specified method by which an activity or a process is to be carried out;

**“senior financial officer”** means the senior financial manager or administrator responsible for the day-to-day management or administration of the first nation’s financial administration system;

**“tax administrator”** means the tax administrator appointed under the first nation’s local revenue laws.

**5.2 Application of Act definitions** - Unless the context indicates otherwise, the words and expressions used in these *Financial Administration System Standards* and not otherwise defined have the same meanings as in the Act.

**5.3 Rules of interpretation** - In these *Financial Administration System Standards*, the following rules of interpretation apply:

- a. words in the singular include the plural, and words in the plural include the singular;

- b. if a word or expression is defined, other parts of speech and grammatical forms of the same word or expression have corresponding meanings;
- c. a reference to a law, including a financial administration law, means the law as amended or replaced from time to time;
- d. a reference to a standard means the standard as amended or replaced from time to time;
- e. headings, subheadings and notes are inserted for convenience of reference only, do not form part of these standards and in no way define, limit, alter or enlarge the scope or meaning of any provision of these standards.

**5.4 Mandatory provisions** – These *Financial Administration System Standards* include mandatory requirements – requirements that must be satisfied in a first nation’s financial administration system. The verb “**must**” is used in mandatory provisions.

### 5.5 Terms used in Standards

**5.5.1 Meaning of “demonstrated”** - When these *Financial Administration System Standards* state that an action or something must be “demonstrated”, the FAL or other law has imposed the requirement that the action be taken or that something be done. (For example, standard 9.3 requires the council to demonstrate that all council policies, procedures and directions respecting the first nation’s financial administration system are available to all persons affected by them. The obligation to make these policies, procedures and directions available is required in Financial Administration Sample Law section 8(5) (see also 8.3.4 of the *Financial Administration Law Standards*).

**5.5.2 Meaning of “established/implemented”** - When these *Financial Administration System Standards* state that a policy, procedure or direction must be “established” or “implemented”, the policy, procedure or direction is a requirement of these Standards and is intended to provide objective evidence that an element of the FAL or other related law has been implemented. (For example, standard 11.2.3 requires the council to establish and implement a documented procedure to ensure the financial competency requirements for members of its finance and audit committee have been met. Section 11(2) of Financial Administration Sample Law requires a majority of the members of the finance and audit committee to have “financial competency” [see also 10.1.4 of the *Financial Administration Law Standards*]).

**5.6 Editorial cross references** - To assist readers to work with these *Financial Administration System Standards* and the *Financial Administration Law Standards*, cross references to related provisions in *Financial Administration Law Standards* have been noted at the end of provisions in these *Standards* e.g. [*§8.1, 8.3*]

## 6.0 CONFLICTS

**6.1 Between Standards and Act** – In the event of a conflict between a provision of these *Financial Administration System Standards* and the Act, the Act prevails to the extent of the conflict.

**6.2 Between Standards and first nation law** - In the event of a conflict between a provision of these *Financial Administration System Standards* and a first nation law, the first nation law prevails to the extent of the conflict.

**6.3 Higher standards apply** – Despite standards 6.1 and 6.2, if a provision of these *Financial Administration System Standards* imposes a higher standard than that imposed in a provision of the Act or a first nation law, the higher standard must be applied.

### PART ONE - CORE STANDARDS

#### DIVISION ONE – ADMINISTRATION

## 7.0 COUNCIL COMMITMENTS

**7.1 Council commitment** - The council must make a documented commitment annually that it will take all necessary steps to ensure that the first nation complies at all times with all applicable requirements in these *Financial Administration System Standards* and each councillor must sign that commitment. [§8.1]

**7.2 Content of commitment** – The council’s commitment must include the following:

- a. a commitment to provide ongoing operational control, comprehensive financial reporting and effective management of the financial administration system;
- b. a statement of the expectations respecting the business conduct of the first nation and the ethical behavior of all persons engaged in the financial administration system;
- c. a commitment to address and further the economic, social and environmental objectives of the first nation’s actions and activities;
- d. a statement of the expectations for the communication to the first nation’s membership and other affected persons of issues involving the material financial affairs of the first nation;
- e. a commitment to ensure accountability in decision-making and transparency in the operations of the financial administration system;
- f. a commitment to continue to improve the effectiveness and efficiency of the financial administration system;

- g. a commitment to update documents used in the financial administration system as the system changes. [*§8.1, 8.3*]

**7.3 Commitment communication** – The council must establish a procedure to ensure that its documented commitment referred to in standard 7.1 is communicated to all persons engaged in the first nation’s financial administration system and is made available to all first nation members. [*§8.3*]

## 8.0 DELEGATED/ASSIGNED RESPONSIBILITIES

**8.1 Council delegation procedures** – The council must establish and implement documented policies and procedures for the permitted delegation of any functions or duties of the council respecting the first nation’s financial administration system to an officer, employee, committee, contractor or agent, including the following matters:

- a. identification of matters that may or may not be delegated;
- b. any approvals required;
- c. any records of the delegation to be maintained;
- d. any standards to be met by those exercising the delegated functions;
- e. periodic review of delegated functions;
- f. a documented agreement of those to whom functions have been delegated to comply with the standards described in paragraph d. [*§8.2, 8.3*]

**8.2 Assignment procedures** – If the FAL permits an officer of the first nation to assign his or her duties or functions to another person, the council must establish and implement a documented procedure for these assignments including

- a. the qualifications of the individual to whom particular responsibilities may be assigned,
- b. the monitoring of the performance of these assigned responsibilities, and
- c. the documentation and periodic review of assignments. [*§8.2, 11.1.6, 11.2.5, 11.3.2*]

## 9.0 POLICIES, PROCEDURES AND DIRECTIONS

### 9.1 FAL requirements

**9.1.1 Policies, procedures and directions** - The council must demonstrate that it has established all policies and procedures or given all directions that the FAL requires the

council to establish or make. [*§8.3, 12.6, 15.4.3, 16.1.3, 17.1, 17.4.1, 17.6.1, 17.6.2, 18.1, 20.1, 20.3, 20.5, 21.5, 21.6, 23.2, 25.4, 26.2*]

**9.1.2 Consistency with FAL and GAAP** – The council must establish and implement a documented procedure that provides the means to ensure that all council policies, procedures and directions respecting the first nation’s financial administration system are not contrary to the FAL or inconsistent with generally accepted accounting principles. [*§8.3.1*]

**9.1.3 Revised council documents** - The council must establish and implement a documented procedure that requires the council to deliver to the Board a copy of any new, revised or amended council policies, procedures or directions respecting the first nation’s financial administration system before they are approved by the council.

**9.1.4 List of council documents** – The council must establish and implement a documented procedure that requires the council to maintain a current list of every policy, procedure and direction required to be made under or authorized by the FAL.

## 9.2 General requirements

**9.2.1 General content** - The council must establish, document and implement all policies, procedures and directions necessary to effectively manage and control the financial administration system of the first nation.

**9.2.2 Council document management** – The council’s policies, procedures and directions must include provisions that require them to be

- a. updated as necessary and,
- b. managed, approved and controlled.

**9.2.3 General requirements** – In addition to the general requirements of standard 9.2.1, the council must demonstrate that

- a. its policies, procedures and directions adequately and effectively control the processes of the financial administration system,
- b. resources and information are available to support the operation and monitoring of these processes, and
- c. when necessary, actions will be implemented to attain the planned results and to continually improve these processes. [*§17.6*]

## 9.3 Availability and access

**9.3.1 Availability of council documents** - The council must demonstrate that all council policies, procedures and directions respecting the first nation’s financial

administration system are documented and available to all persons affected by them. [§8.3, 8.3.4]

**9.3.2 Definition of affected persons** – For purposes of standard 9.3.1, the council must demonstrate that for each council policy, procedure or direction that it establishes or gives it includes a statement defining those persons or classes of persons who are affected by the policy, procedure or directions. [§8.3.4]

**9.3.3 Location and retrieval procedure** – For purposes of standard 9.3.1, the council must establish and implement a procedure that ensures that every council policy, procedure or direction required to be made available to persons affected by them can be located and retrieved as soon as practicable by those persons. [§8.3.4]

**9.4 Security of council documents** – The council must establish and implement a policy or procedure that ensures that every council policy, procedure or direction may only be changed

- a. on the instructions of council, and
- b. by a person authorized by the council or the senior manager.

**9.5 Compliance** – The council must demonstrate that every person who is performing a function or has a role in the first nation’s financial administration system is complying with all applicable provisions of the FAL and all applicable council policies, procedures or directions.

## 10.0 REPORTING OF COMPENSATION, BENEFITS AND CONTRACTS

**10.1 Annual reporting of benefits, etc.** – Subject to the requirements of and any exemptions in the FAL, the council must implement documented procedures

- a. for the recording and retaining and safeguarding of records of
  - i. the remuneration, expenses and benefits that each councillor, senior manager or member of their family received from the first nation, and
  - ii. the contracts that each councillor, senior manager or member of their family had with the first nation for the supply of goods or services, and
- b. for the annual reporting of the information referred to in paragraph a. in a special purpose report in the first nation’s annual financial statements. [§ 9.0, 18.5.2]

## 11.0 FIRST NATION COMMITTEES

### 11.1 First Nation committees generally

**11.1.1 Definition** – In standard 11.1 “committee” means a committee established by the first nation to perform a function in its financial administration system and includes a subcommittee of the committee.

**11.1.2 Terms of reference** – The council must establish documented terms of reference for each committee.

**11.1.3 Contents of terms of reference** – The terms of reference of each committee must include the number and qualifications of its members, its quorum requirements, its role or functions, including any established in the FAL, its voting rules, its objectives or requested outcomes and its meeting and reporting obligations.

**11.1.4 Compliance with terms of reference** – Each committee must demonstrate that it conducts itself in accordance with its terms of reference.

**11.1.5 Retention of records** – Each committee must establish and implement a documented policy to retain the agendas and minutes of all its meetings for at least seven years.

### 11.2 Finance and audit committee

**11.2.1 Eligibility procedure** – The council must establish and implement a documented procedure to assess the qualifications and eligibility of proposed members of its financial and audit committee before members are appointed to that committee in order to ensure that they meet the requirements of the FAL.

**11.2.2 Committee established** – The council must demonstrate that it has

- a. established its finance and audit committee consisting of the number of members specified in the FAL (which must be not less than three members),
- b. appointed members of the committee who meet the qualification and eligibility requirements of the FAL including that
  - i. at least 25% of the members must be councillors, and
  - ii. a majority of the members must have financial competency,
- c. appointed a councillor as chairperson of the committee, and
- d. documented the appointment of the members of the committee. [*§10.1, 10.3*]

**11.2.3 Financial competency** – The council must establish and implement a documented procedure

- a. to track the financial competency of each member of its finance and audit committee, and
- b. to ensure that a majority of the members of its finance and audit committee, as defined in the FAL, have financial competency. [*§10.1*]

**11.2.4 Term requirements** – The council must establish and implement a documented procedure to monitor the terms of office of members of the finance and audit committee and to take necessary actions to ensure that these terms of office

- a. are of a sufficient period of time to permit the members to develop a critical understanding of the first nation’s financial administration system, and
- b. are staggered to ensure the continuing effectiveness of the committee and to provide for succession planning. [*§10.2.1*]

**11.2.5 Procedures for member removal** – The council must establish a documented procedure for the removal from office of a member of the finance and audit committee in the circumstances specified in the FAL for such removal including requiring that

- a. the council confirm that the procedure has been complied with when a member is removed from the finance and audit committee, and
- b. the member of that committee was removed because of the circumstances specified in the FAL for such removal. [*§10.2.2*]

**11.2.6 Record of additional roles, etc.** – The council must demonstrate that it has documented in the finance and audit committee’s terms of reference the committee’s roles and responsibilities under the FAL and any additional roles and responsibilities that the council assigns to the committee. [*§10.1.1, 10.5*]

**11.2.7 Procedures for responsibilities** – The council must establish documented procedures respecting each of the roles and responsibilities of the financial and audit committee set out in its terms of reference including the kind and frequency of reports the committee is required to make to the council in addition to its reporting obligations specified in the FAL. [*§10.1.2, 10.4.6*]

**11.2.8 Attendance and voting records** – The finance and audit committee must

- a. maintain written records of the attendance at its meetings of committee members, the senior manager and the senior financial officer,

- b. demonstrate that the senior manager and senior financial officer have attended those meetings unless excused from attendance in the circumstances provided in the FAL, and
- c. demonstrate that votes of the committee were conducted in accordance with the requirements of the FAL. [*§10.4.1, 10.4.2, 10.4.3, 10.4.4*]

**11.2.9 Meeting records** – The finance and audit committee must demonstrate that

- a. it held the minimum number of meetings required in the FAL,
- b. it kept minutes of the substance of those meetings, and
- c. it reported to the council on the substance of those meetings within a reasonable time after each meeting. [*§10.4.5, 10.4.6*]

**11.3 Consistent rules** – If the finance and audit committee has permission under the FAL to make rules for the conduct of its meetings, the committee must document these rules and establish and implement a documented procedure that provides the means to ensure that these rules are not inconsistent with the FAL or any directions given by the council. [*§10.4.7*]

## 12.0 FIRST NATIONS OFFICERS AND EMPLOYEES

### 12.1 Senior manager

**12.1.1 Duties and functions** - If the FAL does not establish and specify the duties and functions of a senior manager, the council must demonstrate that it has a law or resolution that

- a. specifies the duties and functions of the senior manager as set out in standard 11.1 of the *Financial Administration Law Standards*, and
- b. requires the senior manager to report directly to the council. [*§11.1.1, 11.1.2, 11.1.4, 11.1.5*]

**12.1.2 Appointment** – The council must demonstrate that it has appointed a senior manager to perform the duties and functions of the senior manager as set out in standard 11.1 of the *Financial Administration Law Standards*. (Note: One or more individuals may be appointed to perform any or all of the duties and functions of the senior manager so long as all those duties and functions have been assigned to an individual and each individual reports directly to the council) [*§11.1.3, 11.1.4, 11.1.5*]

**12.1.3 Additional activities consistent with FAL duties** – The council must demonstrate that any additional activities that the senior manager is required to carry out are not

contrary to the Act or inconsistent with the senior manager’s duties or functions referred to in standard 12.1.1. [*§11.1.5*]

**12.2 Senior financial officer** –The council must demonstrate that

- a. it has appointed a senior financial officer to perform the duties and functions of the senior financial officer as specified in the FAL, [*§11.2.1, 11.2.3*]
- b. the senior financial officer reports directly to the senior manager or to the council, and [*§11.2.2*]
- c. any additional activities carried out by the senior financial officer are not contrary to the Act or inconsistent with the senior financial officer’s duties set out in the FAL. [*§11.2.4*]

**12.3 Tax administrator** – The council must demonstrate that

- a. it has appointed a tax administrator to perform the duties and functions of the tax administrator as specified in the first nation’s local revenue laws and in the FAL, and
- b. the tax administrator reports directly to the senior manager or to the council. [*§11.3*]

**12.4 Functions documented** – The council must demonstrate that the principal powers, duties and functions of all employees of the first nation, including those who report directly or indirectly to the tax administrator, have been documented and approved by the council or the senior manager - as specified in the FAL. [*§11.4*]

**12.5 Organization chart**

**12.5.1 Current chart** - The council must demonstrate that it has prepared a current organization chart that

- a. accurately depicts the first nation’s governance, administrative and financial administration systems, and
- b. identifies the specific roles and responsibilities assigned to each level of governance and administration and to each participant in the systems including committees. [*§11.4.2*]

**12.5.2 Chart procedure** – For purposes of standard 12.5.1, the council must establish and implement a documented procedure that ensures that

- a. the organization chart can be located and retrieved as soon as practicable by all persons affected by it, and

- b. the organization chart is kept current.

**12.5.3 Procedure contents** – The procedure referred to in standard 12.5.2 must include a definition of the persons or classes of persons who are affected by the organization chart, including those specified in the FAL. [*§11.4.3*]

**12.5.4 Access to chart** – The council must demonstrate that it provides access to the organization chart by all persons affected by it. [*§11.4.3*]

**12.5.5 Document security** – The council must establish and implement a policy or procedure that ensures that the organization chart may only be changed on the instructions of council and by a person authorized to do so by the council or by the senior manager.

## 12.6 Human Resource records

**12.6.1 Records of functions, etc.** - The council must demonstrate that it has current records clearly describing the functions, responsibilities and authorities of the personnel (including officers, employees, consultants and contractors) involved in operation and management of the financial administration system and all its related processes.

**12.6.2 Maintenance procedure** – For purposes of standard 12.6.1, the council must establish and implement a documented procedure that ensures that current records are maintained.

**12.6.3 Records of qualifications/competencies** - The council must demonstrate that it has current records of the skills, experience, qualifications and competencies required for all personnel referred to in standard 12.6.1.

**12.6.4 Management of employee records** – The council must establish, retain, safeguard and maintain appropriate confidentiality of current records of individual first nation's employee skills, experience, qualifications, competencies and training. [*§11.4.4, 20.3, 20.5*]

**12.6.5 Hiring policies** - The council must establish and implement documented policies and procedures for

- a. the hiring of first nation's employees referred to in standard 12.6.1 including requirements to ensure that
  - i. a person hired as a first nation's employee has the skills, experience, qualifications and competencies required for the position being filled, and
  - ii. fair and impartial hiring practices such as providing consistent selection criteria, consistent evaluation of applicants, use of rating processes and reference checks and hiring on merit, and

- b. the retaining of consultants and contractors referred to in standard 12.6.1 to ensure that a consultant or contractor retained has the skills, experience, qualifications and competencies required for the role being performed. [§11.4.5]

**12.6.6 Dismissal policies** – The council must establish and implement documented policies and procedures for the dismissal of first nation’s employees, with or without cause, including requirements for keeping records of performance expectations, performance reviews and disciplinary actions. [§11.4.4]

## 12.7 Human Resources planning

**12.7.1 Training plan** - The council must establish and implement a plan for any training of first nation’s officers or employees required to meet the first nation’s future needs and requirements after taking into account succession and any anticipated changes in the first nation’s activities. [§11.4.4]

**12.7.2 Planning records** - The council must document the future training needs and requirements for the financial administration system of the first nation including any required and optional training for individual first nation’s employees that is aligned with those needs and requirements. [§11.4.4, 11.4.5]

**12.7.3 Employee evaluation** – The council must establish and implement a documented evaluation process

- a. to measure the skills and competencies of individual first nation’s employees against their assigned employment responsibilities,
- b. to determine any training requirements for those employees, and
- c. to adjust their duties and responsibilities as necessary to reflect their respective skills and competencies. [§11.4.4, 11.4.5]

## 13.0 CONDUCT EXPECTATIONS

### 13.1 Disclosure procedures

**13.1.1 Disclosure procedures for councillors** – The council must establish and implement documented procedures for

- a. the annual disclosures by councillors of their private interests which could result in a conflict of interest, and
- b. recording, retaining and safeguarding of these annual disclosures. [§12.5]

**13.1.2 Content for conduct expectations** – The council’s policies for conduct expectations must provide appropriate guidance to the different groups of persons who

are making financial recommendations or decisions for the first nation including requiring them

- a. to behave in an ethical and transparent manner, and
- b. to comply with all applicable legal requirements. [*§12.1, 12.2, 12.3*]

**13.1.3 Disclosure procedures for others** – The council must establish and implement documented procedures for

- a. the disclosures by officers, employees, committee members, contractors and agents of any circumstances which could result in a conflict of interest, and
- b. the recording, retaining and safeguarding of the disclosures made under these procedures in a manner that protects the privacy of the persons making the disclosures. [*§12.5*]

**13.2 Conduct training** – The council must establish and implement a program to train officers, employees, committee members, contractors and agents respecting their conduct expectations as set out in the FAL or in council policies.

**13.3 Compliance declaration** – The council must establish and implement a documented policy and procedure

- a. to ensure that every officer, employee, committee member, contractor and agent when engaged in a duty or responsibility relating to the first nation’s financial administration system signs a declaration indicating they understand and agree to comply with the applicable conduct expectations as set out in the FAL or in council policies,
- b. to ensure that the declarations referred to in paragraph a. are signed
  - i. when the officer, employee, committee member, contractor or agent is first hired, appointed or retained, as the case may be, and
  - ii. annually thereafter,
- c. to retain and safeguard the declarations made under the policy and procedure, and
- d. to ensure that the applicable conduct expectations as set out in FAL or in council policies are included in the terms of any applicable employment contracts, appointments to the finance and audit committee, contracts for service with consultants and contractors and appointment of agents. [*§12.3*]

## DIVISION TWO – FINANCIAL MANAGEMENT

### 14.0 FISCAL YEAR

**14.1 Financial year end** – The council must establish and implement a documented policy that ensures that all financial reporting and financial statements of the first nation will be for the period beginning on April 1 of one year and ending on March 31 in the next year.

### 15.0 INTEGRATED PROCESS

**15.1 Integrated planning and budgeting** - The council must establish and implement documented procedures that detail an integrated planning and budgeting process which sets out the following:

- a. the frequency, timing and requirements for the making of any strategic plans, multi-year financial plans, tangible capital project plans, tangible asset life-cycle planning and annual budgets;
- b. the relationships between related aspects of any strategic plans, multi-year financial plans, tangible capital project plans and annual budgets;
- c. the individuals or parties responsible for preparing, coordinating, approving, amending, updating and communicating the items identified in paragraphs a. and b.;
- d. any information to be provided to or the involvement of members of the first nation respecting planning and budgeting process.

### 16.0 FINANCIAL PLANS

**16.1 Strategic plan** - The council must demonstrate that the first nation

- a. has established and implemented, as appropriate, a current documented strategic plan that articulates a long-term vision for the first nation and its members, and
- b. reviews the strategic plan on a regular, periodic basis and revises it as necessary.

**16.2 Multi-year plan** – The council must demonstrate a current documented multi-year financial plan for the first nation that

- a. meets the requirements of the FAL,
- b. is consistent with and supports the objectives of the strategic plan referred to in standard 16.1,

- c. is based on the projections of revenues, expenditures and transfers between accounts,
- d. includes the life-cycle management program for the first nation's tangible capital assets, and
- e. includes the economic and social impacts of the first nation's planned capital projects and projects undertaken by the first nation with other governments. [§14.0]

**16.2.1 Membership information or involvement** – The council must demonstrate that it has complied with the requirements of the FAL or council policies or procedures respecting the involvement in or informing of first nation members about the multi-year financial plan. [§15.4.3]

## 17.0 BUDGETS

**17.1 Approval procedures** – The council must demonstrate that it has documented procedures in place for

- a. the approval by the council of an annual budget of the first nation by March 31 of each fiscal year, and
- b. the approval of any amendments of the component of the annual budget respecting the first nation's local revenue account as soon as practical after the start of each fiscal year. [§15.4.1, 15.4.2]

**17.2 Content for procedures** – The procedures referred to in standard 17.1 must specify

- a. all activities required to take place before budget approval,
- b. who is responsible for each activity, and
- c. the timetable for completion and coordination of these activities. [§15.0]

**17.3 Council budget approval**– The council must demonstrate that

- a. the annual budget for the first nation for the current fiscal year was approved on time and contains all components required in the FAL, and
- b. any amendments of the component of the annual budget respecting the first nation's local revenue account was approved as soon as practical after the start of the fiscal year. [§15.1, 15.3, 15.4]

**17.4 Budget change approvals** – The council must demonstrate that any changes to the annual budget for the first nation for the current fiscal year were approved by the council. [§15.4.4]

## 17.5 Deficits

**17.5.1 FAL compliance** - The council must demonstrate that it has complied with the requirements of the FAL respecting management of and any limitations on budget deficits.

**17.5.2 Deficit policy** -- The council must establish and implement a documented policy for the circumstances if any when a deficit may be incurred and accumulated.

**17.5.3 Approval procedure** -- The council must establish and implement a documented procedure for approval of a budget deficit including consideration of any recommendations from the finance and audit committee on plans to balance the budget deficit. [*§16.3.3*]

**17.6 Membership information or involvement** – The council must demonstrate that it has complied with the requirements of the FAL or council policies or procedures respecting the involvement in or informing of first nation members about the annual budget, budget deficits or extraordinary expenditures. [*§15.4.3*]

## 18.0 FINANCIAL MANAGEMENT AND CONTROLS

### 18.1 Financial institution accounts

**18.1.1 Account requirements** - The council must demonstrate that the first nation's accounts in financial institutions are operated as follows:

- a. all accounts are maintained and operated solely for identified purposes;
- b. current records of all account transactions are retained and available for review at any time;
- c. all records pertaining to financial institution authorities are maintained and changes reported to the council;
- d. written notification of any withdrawal or change to cheque writing limitations established by the council, the finance and audit committee or the senior financial officer is communicated as soon as possible to the financial institution with a copy retained in the first nation's records;
- e. any restricted monies are deposited in a separate account and accounted for on a separate basis. [*§16.1.1, 16.1.2*]

## 18.2 Account deposits

**18.2.1 Account procedure** – The council must establish and implement a documented procedure for all deposits in first nation's accounts in financial institutions.

**18.2.2 Procedure content** – The procedure referred to in standard 18.2.1 must require the following:

- a. all cash transactions to be handled in a controlled and transparent manner designed to minimize errors;
- b. a record to be kept of all anticipated recurring deposit account transactions;
- c. all deposits to be identified by revenue source;
- d. all funds received on deposit to be segregated as appropriate. [*§16.1.1, 16.1.2*]

## 18.3 Financial institution account reconciliation

**18.3.1 Reconciliation policy** - The council must establish and implement a documented policy requiring all financial institution accounts to be reconciled by the senior financial officer within 30 days of the end of each month, except under documented extenuating circumstances.

**18.3.2 Reconciliation procedure** – The council must establish and implement a documented procedure to ensure that

- a. records of the account reconciliations referred to in standard 18.3.1 are retained, and
- b. any identified reconciliation irregularities are documented and reported by the senior financial officer to the finance and audit committee as soon as practicable.

**18.3.3 Reconciliation irregularities** – The council must demonstrate that any identified reconciliation irregularities are documented and brought to the attention of the finance and audit committee as soon as practicable.

## 18.4 Expenditures

**18.4.1 Controls on delegation** – The council must demonstrate that first nation signing authorities are delegated in accordance with any requirements of the FAL and in accordance with an appropriate division of duties and responsibilities commensurate with good internal financial controls. [*§16.2.1*]

**18.4.2 Account payable procedure** – The council must establish and implement a documented procedure for the accounts payable process as follows:

- a. all expenditures from first nation funds require two signatures or two approvals before a cheque is issued or payment authorized;
- b. the authorization of an expenditure and the approval of payment of an authorized expenditure must not be exercised by the same person in respect to any payment;
- c. all records verifying compliance with this standard must be retained. [*§16.2.1*]

**18.4.3 Restrictions on expenditures** – The council must demonstrate that all expenditures of first nation funds, other than local revenues, are made only if and as permitted under the budget of the first nation in effect at the time of the expenditure (subject to any reasonable exceptions to address unforeseen events provided for in the FAL or in council policy authorized by the FAL). [*§16.2.3*]

## **18.5 Debt**

**18.5.1 Debt policies and procedures** - The council must establish and implement documented policies and procedures for

- a. the proper consideration of the need for the first nation to incur debt obligations including the evaluation of different potential financing arrangements,
- b. the approval of the terms and conditions of debt obligations,
- c. the timely payment of debt obligations by the first nation,
- d. the monitoring and reconciliation of debt transactions, and
- e. the reporting of debt obligations in accordance with the requirements of GAAP, the FAL and any agreements under which the debt obligations were incurred.

**18.5.2 Debt records** - The council must demonstrate that it has maintained the following records for every debt obligation of the first nation:

- a. the principal amount borrowed;
- b. the date or dates all or any part of the principal amount must be repaid;
- c. the date or dates when interest on the debt must be paid;
- d. the cost of borrowing including interest payments and service or other charges;
- e. the purpose for which the debt has been incurred;
- f. the authority under which the debt was incurred including any required council resolution. [*§16.3.1*]

## 18.6 Procurement

**18.6.1 Procurement policies/procedures** - The council must demonstrate documented policies and procedures that ensure effective control of the procurement of goods, services and first nation's assets. [*§8.3.2*]

**18.6.2 Policy/procedure content** – The policies or procedures referred to in standard 18.6.1 must

- a. require all procurement documents (e.g. requisitions, purchase order, requests for proposals or tender calls) to clearly indicate on their face the details of the goods or services being requested,
- b. include expenditure spending limits, and
- c. specify the budget appropriations and accounts from which certain good or services may or must be purchased, and
- d. include effective monitoring controls to ensure identification and reporting of any spending overruns.

**18.6.3 Policies for tendering and request for proposals** - The policies referred to in standard 18.6.1 that address tendering or requests for proposals for supply of goods or services must include the following:

- a. the conditions, including threshold criteria, under which a formal tendering or request for proposal process is required;
- b. who is responsible for carrying out the activities of that process. [*§8.3.2, 16.2.1*]

## 18.7 Procurement of suppliers

**18.7.1 Evaluation procedures** – The council must establish and implement a documented procedure that establishes the criteria for selection and initial and ongoing evaluation of suppliers of goods and services to the first nation. [*§8.3.2, 16.2.1*]

**18.7.2 Procedure contents** - The procedure referred to in standard 18.7.1 must require

- a. supplied goods and services to be examined or reviewed, as appropriate, to determine their suitability and compliance with any contract or purchase specifications, and
- b. records of the examinations or reviews to be retained. [*§8.3.2, 16.2.1*]

**18.7.3 Access to new suppliers** - The council must establish and implement a documented policy and procedure that encourages and facilitates new suppliers to participate in the supply of goods and services to the first nation. [*§8.3.2, 16.2.1*]

## 18.8 Reimbursable expenses

**18.8.1 Reimbursement policy/procedure** – The council must establish and implement a documented policy and procedure respecting the reimbursement of expenses incurred by persons acting on behalf of the first nation. [*§ 10.5.2*]

**18.8.2 Policy/procedure contents** - The policy and procedure referred to in standard 18.8.1 must include the following:

- a. activities which are considered to be carried out on behalf of the first nation;
- b. expenses which are reimbursable, including defined limits for different categories of expenses;
- c. documents required to support a claim for reimbursement of expenses;
- d. who has authority to approve reimbursement of expenses for different categories of claimants. [*§10.5.2*]

## 19.0 RISK MANAGEMENT

### 19.1 For Profit Business Activity

**19.1.1 Risk management procedures** - The council must establish and implement documented procedures that ensure that the risks associated with the first nation carrying on for-profit activities are limited or managed. [*§17.1*]

**19.1.2 Procedure content** – The procedures referred to in standard 19.1.1 must require the following:

- a. the identification of any material risks associated with the conduct of a proposed for-profit activity;
- b. the steps that must be taken to limit or manage those risks to the first nation;
- c. approvals required to undertake for-profit activity;
- d. the monitoring of any approved for-profit activity.

**19.1.3 Compliance with FAL, etc** – The council must demonstrate that any for-profit activities of the first nation are being conducted in accordance with the requirements of the FAL and any applicable council policies or procedures. [*§17.1*]

### 19.2 Loans, Guarantees and Indemnities

**19.2.1 Compliance with FAL, etc** – The council must demonstrate that any loans made by the first nation and any guarantees and indemnities given by the first nation have

been made or given in accordance with the requirements of the FAL and any applicable council policies or procedures. [*§17.2,17.4*]

**19.2.2 Additional policies** - The council must establish and implement documented policies in respect of the following matters:

- a. the giving of expense and payroll advances;
- b. the giving or making of leases or lease to buy arrangements.

**19.2.3 Policy content** – The policies referred to in standard 19.2.1 must include the following:

- a. provisions for collecting monies and interest owed, if applicable;
- b. provisions respecting the writing off and forgiving of debts. [*§17.4*]

**19.2.4 Records procedure** – The council must establish and implement documented procedures for the keeping of records of all guarantees and securities given for capital projects on first nation’s lands. [*§16.3.2, 17.2*]

### 19.3 Investments

**19.3.1 Investment policy** - The council must establish and implement a documented policy respecting the first nation’s investment strategy including where applicable, its short-term and long-term strategies and allowable uses of available funds.

**19.3.2 Investment procedure** - The council must establish and implement a documented procedure that requires the following:

- a. risk assessments to be performed and criteria to be met with respect to risk before investing;
- b. approvals to be given before investing;
- c. records to be kept and retained of all investment decisions. [*§17.3.1*]

**19.3.3 Compliance with FAL, etc** – The council must demonstrate that the first nation has made investments in accordance with the requirements of the FAL and any applicable council policies and procedures. [*§17.3*]

### 19.4 Insurance

**19.4.1 Insurance procedure** – The council must establish and implement a documented procedure to ensure that the requirements of the FAL respecting insurance coverage of the first nation have been met including the following:

- a. the identification of the material risks of the first nation (or of councillors, officer or employees of the first nation) for which insurance coverage may available;
- b. the identification and procurement of appropriate insurance coverage;
- c. the approvals required for insurance coverage;
- d. the actions required to avoid lapses in coverage.

**19.4.2 Compliance with FAL, etc** – The council must demonstrate that the first nation has procured and is maintaining any insurance coverage required by the FAL or a council policy or procedure. [*§17.5.1, 17.5.2*]

## 19.5 Emergencies

**19.5.1 Emergency plans** - The council must establish and implement documented emergency and contingency plans to address potential emergency situations that may affect the finances of the first nation.

**19.5.2 Plan content** – The plans referred to in standard 19.5.1 must

- a. include provision for fires, natural disasters, and environmental risks,
- b. be appropriate to the size, risk and impact of potential emergencies,
- c. require periodic emergency drills, and contact lists,
- d. require communication of the plans to all affected persons, and
- e. require annual review of the plans.

## 19.6 Financial reporting risks

**19.6.1 Risk identification procedure** - The council must demonstrate documented procedures to identify and document any activities that could result in risk of the following:

- a. a material misstatement in information in the first nation’s quarterly and annual financial statements including misstatements respecting the following:
  - i. financial reporting framework and timelines;
  - ii. the capturing of information from various routine and non-routine sources of information and the evaluation and analysis of this information;
  - iii. the financial closing process at the end of each reporting period;

- b. failure to achieve planned levels of financial performance for the first nation;
- c. failure to perform the first nation's obligations;
- d. ineffective controls for financial reporting and fraud including the following:
  - i. manipulation, falsification (including forgery) or alteration of accounting records or supporting documentation from which the financial statements are prepared;
  - ii. misrepresentation in, or intentional omission from, the financial statements of events, transactions or other significant information;
  - iii. intentional misapplication of accounting principles relating to amounts, classification, manner of presentation, or disclosure. [*§17.6.1, 18.1*]

**19.6.2 Risk controls** - The council must establish and document controls that will mitigate or manage the risks referred to in standard 19.6.1 including requiring the senior manager to ensure that

- a. the persons engaged in the first nation's financial administration system
  - i. are qualified to perform the services for which they have been engaged, and
  - ii. confirm in writing periodically that they understand their responsibilities;
- b. a positive workplace environment that supports integrity, honesty, accountability and transparency is established and maintained. [*§17.6.1, 18.1*]

## 19.7 Information technology controls

**19.7.1 Compliance with FAL, etc** - The council must demonstrate compliance with the requirements of the FAL or council policies and procedures or directions respecting internal controls for information technology used by the first nation in its operations in order to ensure the integrity of the financial administration system and its data base. [*§17.6.2*]

**19.7.2 Information technology procedures** – The council must establish and implement documented procedures for information technology used by the first nation in its operations that ensure the following objectives are met:

- a. Resource Strategy and Planning - information systems are developed that support the first nation's strategic plan and operations;
- b. Information Systems Operations –

- i. information systems are actively monitored for effectiveness;
  - ii. transactions are processed in a timely manner;
  - iii. only approved programs are used and these programs are accessible only by trained and authorized personnel;
  - iv. data is retained in accordance with legal requirements in applicable laws or in agreements to which the first nation is a party and is retrievable when needed;
- c. Outsourcing - selection of contractors providing information technology services, the definition of services in their contracts and the administration of their contracts is consistent with the needs of the first nation as set out above;
- d. Information Security –
- i. security tools and techniques are implemented to enable restrictions on access to programs and data;
  - ii. security tools and techniques are administered to restrict access to programs and data;
- e. Change Management –
- i. the data structure is consistent with the needs of the first nation as set out above;
  - ii. new data structure and modifications to data structure are tested before implementation;
  - iii. new network, communication and systems software are consistent with the needs of the first nation as set out above;
  - iv. new computer hardware is consistent with the needs of the first nation as set out above. [*§17.6.2*]

## 20.0 FINANCIAL REPORTING

### 20.1 Identification of financial reports

**20.1.1 List of financial reports** - The council must establish and implement a documented procedure to maintain a current list of financial reports that are required to be prepared on a regular basis, including monthly information and quarterly and annual financial statements. [*§18.1*]

**20.1.2 Content of list** – The list referred to in standard 20.1.1 must include

- a. the name of the report,
- b. the person responsible to prepare it,
- c. when it is to be made available, and
- d. who is to receive it. [*§18.1*]

**20.1.3 Report maintenance** – All financial reports in the list referred to in standard 20.1.1 must be maintained in a safe, secure and accessible manner for at least 7 years unless otherwise specified by council policy or an applicable law. [*§18.1, 20.0*]

**20.2 Monthly financial information** - The council must demonstrate that the finance and audit committee and the council receive and consider financial information that summarizes the financial activity of the first nation for each month. [*§18.2*]

### **20.3 Quarterly financial statements**

**20.3.1 Quarterly reporting** – The council must demonstrate that quarterly financial statements that summarize all financial activities of the first nation are being

- a. prepared by the senior financial officer,
- b. considered and recommended by the finance and audit committee, and
- c. considered and approved by the council. [*§10.5.1, 11.2.3, 18.3*]

**20.3.2 Statement content** – The statements referred to in standard 20.3.1 must include the following:

- a. a statement of revenue and expenditures containing a comparison to the annual budget;
- b. a balance sheet;
- c. a financial institution account reconciliation;
- d. any other information requested by the finance and audit committee or the council.

**20.3.3 Provision to council** – The statements referred to in standard 20.3.1 must be provided to the finance and audit committee and the council not later than 45 days after the quarter for which the statements were prepared. [*§18.3*]

### **20.4 Annual financial statements**

**20.4.1 Preparation and review** – The council must demonstrate that the annual financial statements of the first nation have been

- a. prepared by the senior financial officer, and
- b. provided to the finance and audit committee and the council. [*§18.4.1*]

**20.4.2 Statement contents** - The council must demonstrate that the annual financial statements of the first nation

- a. have been prepared in accordance with GAAP to a standard that is at least comparable to that generally accepted for governments in Canada,
- b. include financial information in respect of the local revenue account that will be required to satisfy the requirements of the *Local Revenue Account Financial Reporting Standards*, and
- c. if the first nation has a land code in force, include the same revenue categories respecting revenues from first nation lands as are required by standard 15.3.2 of the *Financial Administration Law Standards* to be included in the first nation's budgets. [*§18.4.2*]

## 21.0 AUDITS

### 21.1 Auditor

**21.1.1 Appointment/dismissal procedure** – The council must establish a documented procedure for the appointment and dismissal of the first nation's auditor including

- a. determining that a proposed auditor meets the requirements of the FAL,
- b. confirming that the auditor has carried out the audit as required by the FAL, the terms of the auditor's engagement letter and the *Local Revenue Account Financial Reporting Standards*,
- c. specifying the basis for dismissing an auditor,
- d. replacing an auditor who has been dismissed or who has resigned. [*§19.2*]

**21.1.2 Auditor appointment** – The council must demonstrate that it has

- a. appointed an auditor for the first nation who meets the eligibility requirements of the FAL,
- b. documented the appointment of the auditor, and
- c. delivered an engagement letter to the auditor that contains the contents required by the FAL. [*§ 19.2*]

**21.1.3 Auditor compliance** – The council must demonstrate that the auditor of the first nation has

- a. carried out the audit of the annual financial statements of the first nation and provided it to council within 120 days after the fiscal year end, and
- b. completed the audit as required by
  - i. the FAL including providing an audit opinion on the annual financial statements and an audit opinion or review comments on the special purpose reports referred to in the FAL,
  - ii. the terms of the auditor's engagement letter, and
  - iii. the *Local Revenue Account Financial Reporting Standards*. [*§ 18.5.2, 19.2.3, 19.2.4, 19.3*]

## **21.2 Audited financial statements**

### **21.2.1 Statement review and approval** – The council must demonstrate that

- a. it has reviewed and approved the audited financial statements of the first nation within 120 days after the fiscal year end or such earlier time specified in the FAL, and
- b. the audited financial statements have been signed by the persons required in the FAL. [*§19.3, 19.4, 19.5*]

### **21.2.2 Member access to statements** - The council must demonstrate that members of the first nation have access to the audited annual financial statements and the special purpose reports after they have been approved and signed. [*§19.6*]

## **22.0 RECORDS AND INFORMATION**

### **22.1 Record keeping policy/procedure** - The council must establish and implement documented policies or procedures to establish and maintain proper records to demonstrate

- a. compliance by the first nation with its legal requirements and obligations, and
- b. the effective operation and control of the first nation's financial administration system. [*§20.3*]

### **22.2 Maintenance procedure** - The council must establish and implement documented procedures to ensure that all records maintained for the financial administration system of the first nation are legible, readily identifiable and readily retrievable. [*§20.3*]

### **22.3 Risk controls** – The council must establish and implement a documented procedure for all records maintained for the first nation's financial administration system that

- a. defines the controls needed for the identification, security, retrieval, retention time and disposition of records, and
- b. complies with the first nation's legal requirements and obligations.

## 22.4 Access procedure

**22.4.1 Information request procedure** - The council must demonstrate a documented procedure to receive and manage requests made for information respecting the first nation's financial administration system.

**22.4.2 Contents of procedure** - The procedure referred to in standard 22.4.1 must clearly state what information the first nation is required to release and what information the first nation is required to retain as confidential. [*§20.5*]

## 22.5 Operations manual

**22.5.1 Operations manual and procedures** – The council must demonstrate that it has

- a. established an operations manual for the first nation's administrative systems and
- b. documented procedures for the maintenance of the manual. [*§20.2.1*]

**22.5.2 Manual availability** - The council must demonstrate that it has documented policy for making the manual available to councillors, committee members, officers and employees and, as appropriate, to contractors or agents including any reasonable exceptions for those parts of the manual that are appropriate for only limited distribution. [*§20.2.2*]

## 23.0 TANGIBLE CAPITAL ASSETS INCLUDING CAPITAL PROJECTS

### 23.1 Asset Register

**23.1.1 Current register** - The council must demonstrate a current asset register for all the first nation's tangible capital assets that are over an established asset recognition threshold set out in documented council policy. [*§21.1, 21.3*]

**23.1.2 Register contents** – The register referred to in standard 23.1.1 must include the first nation's tangible capital asset's location, purpose, ownership restrictions, year of acquisition, last inspection date, expected life at time of acquisition, assessment of condition, remaining useful life, estimated residual value, insured value and any deferred maintenance. [*§21.1*]

**23.1.3 Thresholds/criteria** – The thresholds or criteria referred to in standard 23.1.1 and 23.3.2 must be stated in terms of monetary limits, funding sources, project types or anticipated community impacts. [*§21.1, 21.3*]

**23.2 Reserve fund** - The council must demonstrate that it has established and is investing in and managing a tangible capital asset reserve fund to be applied for purposes of construction, acquisition, maintenance, rehabilitation and replacement of tangible capital assets. [§21.2]

### 23.3 Life-cycle planning

**23.3.1 Compliance with FAL** – The council must demonstrate that it has implemented documented lifecycle planning for tangible capital assets as required in the FAL. [§21.3]

### 23.4 Capital project plans

**23.4.1 Capital project budgeting** – The council must demonstrate that the requirements of the FAL for capital project budgeting have been implemented. [§21.4]

**23.4.2 Planning triggers** – The integrated planning procedure referred to in standard 15.1 must include the thresholds or criteria that trigger

- a. the requirement for a formal capital project planning process as described in standard 23.4.4, and
- b. applicable capital expenditure approval limits.

**23.4.3 Requirements for thresholds/criteria** – The thresholds or criteria referred to in standard 15.1 must be stated in terms of monetary limits, funding sources, project types or anticipated community impacts.

**23.4.4 Capital project plan** - When the thresholds or criteria referred to in standard 23.4.2 are exceeded, the council must establish, document and retain a capital project plan (which may also be referred to as a business plan or financing proposal).

**23.4.5 Capital project plan contents** – The capital project plan referred to in standard 23.4.4 must include all information that is necessary to assist decision-makers to reach an informed decision on the proposed capital project including the following:

- a. financial viability;
- b. project operating requirements;
- c. risk assessment.

**23.5 Contract and tendering requirements** – The council must demonstrate that it has complied with the requirements of the FAL or council policies or procedures respecting the following matters relating to the construction and rehabilitation of buildings and other improvements to land, including capital infrastructure:

- a. project planning, design, engineering, safety and environmental requirements;

- b. project costing, budgeting, financing and approval;
- c. project and contractor bidding requirements;
- d. tender, contract form and contract acceptance;
- e. course of construction insurance;
- f. project performance guarantees and bonding;
- g. project control, including contract management;
- h. holdbacks, work approvals, payment and audit procedures. [*\$21.5*]

**23.6 Membership information or involvement** – The council must demonstrate that it has complied with the requirements of the FAL or council policies or procedures respecting the involving or informing of first nation members in tangible capital projects and borrowing for the construction of new tangible capital asset projects. [*\$21.6*]

## 24.0 BORROWING MEMBER REQUIREMENTS

**24.1 Compliance procedures** – If the first nation is a borrowing member, the council must establish and implement a documented procedure for monitoring and tracking compliance by the first nation with all Board standards and for rectifying any non-compliance.

**24.2 Procedure contents** - The procedure referred to in standard 24.1 must include

- a. all significant activities and a schedule of critical dates for completion of these activities,
- b. the responsibilities and authority for all significant activities, and
- c. a description of all records to be maintained including records of responses to any non-compliance.

**24.3 Rectification of non-compliance** – The council must demonstrate that it has, without delay, taken any measures required for the first nation to rectify any non-compliance with Board standards and to operate in compliance with those standards. [*\$22.0*]

## 25.0 COMPLIANCE WITH OTHER LEGISLATION

**25.1 Land management** – If the first nation has a land code in force under the *First Nations Land Management Act*, the council must demonstrate that the first nation is complying with the method set out in the FAL or in a council policy to be accountable to first nation members for the management of first nation land and money derived from

first nation land as required under the first nation's land code to satisfy section 6(1)(e) of that Act. [§23.2]

**25.2 Oil and gas management** – If a first nation has a financial administration code under the *First Nations Oil and Gas and Moneys Management Act*, the council must demonstrate that the first nation is complying with the *First Nations Oil and Gas and Moneys Management Act* and its financial administration code made as required or permitted under that Act. [§24.1]

## 26.0 FINANCIAL MISCONDUCT

**26.1 Reporting policies** - The council must demonstrate documented policies respecting the reporting of breaches of the FAL or of council policies, procedures or directions including the reporting of the following:

- a. questionable accounting practices;
- b. inadequate internal accounting controls;
- c. the misleading or coercion of auditors;
- d. fraudulent or misleading financial information;
- e. instances of fraud;
- f. material misrepresentation in disclosures made by or on behalf of the first nation. [§25.1, 25.2]

**26.2 Reporting procedures** - The council must demonstrate documented procedures for the following:

- a. the confidential reporting of breaches;
- b. the recording, maintaining and safeguarding of reported breaches and any records prepared during the inquiry into or investigation of those breaches;
- c. the safeguarding of the confidentiality of the person who reported the breach;
- d. the protection of the person who reported the breach from reprisals;
- e. the inquiry into or investigation of the reported breaches;
- f. the fair and unbiased treatment of the person against whom a report has been made;
- g. appropriate actions to be taken by the council if a breach has occurred and the recording of these actions;

- h. the annual reporting to council on the effectiveness of its policies and procedures under standards 13.0 and 26.0;
- i. the communication of its policies and procedures under standards 13.0 and 26.0 to all personnel engaged in the activities of the first nation;
- j. the inclusion of the policies and procedures referred to in standards 13.0 and 26.0 in the contracts of contractors and in the appointments of agents and committee members. [*§25.4*]

**26.3 Enforcement policy/procedure** – The council must establish and implement documented policies and procedures for the enforcement of the requirements of the FAL including

- a. the tracking of costs associated with or resulting from breach of these requirements, and
- b. the recovery of amounts expended or forfeited due to the failure of a person to comply with these requirements. [*§25.2, 25.6*]

## **27.0 FINANCIAL ADMINISTRATION SYSTEM IMPROVEMENT**

**27.1 Tracking procedure** – The council must establish and implement a procedure for collecting, recording and analyzing concerns and comments from interested or affected persons respecting the financial administration system of the first nation and the services it provides including any confidential reporting of breaches of the FAL.

### **27.2 Internal system assessment**

**27.2.1 Internal assessment procedure** – The council must establish and implement a documented procedure for the planning, scheduling, and conducting of internal assessments of the financial administration system of the first nation and for the resolution of any concerns identified in those internal assessments.

**27.2.2 Procedure content** – The procedure referred to in standard 27.2.1 must require the following:

- a. internal assessments must be conducted of critical or significant activities and processes at least once each fiscal year;
- b. the assessor must be independent of the operations area or activity being assessed;
- c. records must be made and retained of both the internal assessment findings and the resolutions of any concerns identified in those findings.

### **27.3 Financial administration system review**

**27.3.1 Review procedure** – The council must establish and implement a documented procedure that requires the individuals responsible for the management and operation of the financial administration system of the first nation to meet at least once each fiscal year at a scheduled time.

**27.3.2 Meeting agenda** – The procedure referred to in standard 27.3.1 must specify the standing agenda items including the following:

- a. review of the system's processes and procedures;
- b. review of applicable laws for compliance;
- c. review of external and internal assessment results;
- d. review of identified process improvement opportunities including their resolutions;
- e. review of all committees' terms of reference;
- f. review of the organization chart.

**27.3.3 Review period** - The procedure referred to in standard 27.3.1 must require the meeting to review the financial administration system during the period of the previous four quarters and up to the date of the meeting.

**27.3.4 Report and recommendations** - The procedure referred to in standard 27.3.1 must require the attendees of the meeting to prepare a report to be made available to council, the finance and audit committee and the external and internal auditors that includes the following:

- a. a statement of whether the financial administration system has, during the review period, been operated in compliance with all applicable laws, policies, procedures and directions;
- b. recommendations for any changes to those laws, policies, procedures and directions that, in the opinion of the meeting attendees, would be beneficial to the financial administration system. [*\$26.1*]

**27.4 Membership information or involvement** – The council must demonstrate that it has complied with the requirements of the FAL or council policies or procedures respecting the involvement in or informing first nation members about the approval of any proposed amendments to the FAL. [*\$26.2*]

## 28.0 ANNUAL OPERATIONS REPORT

**28.1 Annual report** – The council must demonstrate that it has published the required annual report of the operations and financial performance of the first nation by the earlier of

- a. the time specified in the FAL, or
- b. 120 days after the fiscal year end. [*§27.1, 27.2, 27.3*]

**28.2 Report availability** – The council must demonstrate that it has made the annual report available to members of the first nation, the Board and the First Nations Finance Authority. [*§27.4*]

### **PART TWO -LOCAL REVENUE STANDARDS**

## 29.0 ACCESS TO LAWS

**29.1 Access to laws** - The council must demonstrate that it provides

- a. access to all local revenue laws of the first nation, and
- b. copies of these laws for a reasonable fee.

## 30.0 FINANCIAL INSTITUTION ACCOUNTS

**30.1 Requirements for local revenue account** - The council must demonstrate that the first nation's financial institution accounts are operated as follows:

- a. a local revenue account is maintained and operated solely for all local revenues received by the first nation;
- b. a local revenue account does not contain any funds, other than local revenues;
- c. a local revenue account is not used for expenditures other than those authorized for local revenues;
- d. records of all local revenue account transactions are retained and available for review at any time. [*§16.1.2*]

## 31.0 PROPERTY ASSESSMENT

**31.1 Appointments** - The council must demonstrate that it has appointed a tax administrator, an assessor and the members of an assessment review board as required in the first nation's laws.

**31.2 Assessment procedures** – The council must establish and implement documented procedures that are consistent with the requirements of the first nation’s property assessment law for the following activities:

- a. the preparation, certification and inspection of the assessment roll;
- b. the preparation and delivery of assessment notices to persons named on the assessment roll.

**31.3 Procedure contents** - The procedures referred to in standard 31.2 must include

- a. all significant activities and a schedule of critical dates for completion of these activities,
- b. the responsibilities and authority for all significant activities, and
- c. a description of all records to be maintained.

**31.4 Assessment timetable** – The council must demonstrate that the following were completed within the time required in the first nation’s property assessment law:

- a. the assessment roll of the first nation for the current taxation year was certified;
- b. the assessment notices of the first nation for the current taxation year were delivered.

**31.5 Records** – The council must demonstrate that all records required by the first nation’s property assessment law and council procedures are retained.

## **32.0 PROPERTY TAX RATES**

**32.1 Law setting tax rate** – The council must demonstrate that within the time prescribed by regulation under the Act

- a. the council made a law under section 10(a) of the Act setting the rate of tax to be applied to the assessed value of each class of property, and
- b. the First Nations Tax Commission approved that law.

## **33.0 LOCAL REVENUE EXPENDITURES**

**33.1 Budget law** – The council must demonstrate that within the time prescribed by regulation under the Act

- a. the council made a law under section 10(b) of the Act establishing a budget for the expenditures of revenues raised under the first nation’s property taxation law, and

- b. the First Nations Tax Commission approved that law.

### 34.0 PROPERTY TAXATION

**34.1 Taxation procedures** – The council must establish and implement documented procedures that are consistent with the requirements of the first nation’s property taxation law for the following activities:

- a. preparation of the tax roll;
- b. preparation and delivery of tax notices to persons named in the taxation roll;
- c. imposition and collection of interest and penalties on tax arrears;
- d. payment of any tax refunds;
- e. notation of tax payments on the taxation roll and issuance of receipts for taxes paid;
- f. collection of taxes and enforcement of the payment of unpaid taxes.

**34.2 Procedure contents** - The procedures referred to in standard 34.1 must include

- a. all significant activities and a schedule of critical dates for completion of these activities,
- b. the responsibilities and authority for all significant activities, and
- c. a description of all records to be maintained.

### 35.0 LOCAL REVENUE ACCOUNT RECORDS

**35.1 Records procedure** – The council must establish and implement a documented procedure to ensure that the tax administrator maintains and has available at all times a complete set of all records respecting the first nation’s local revenue laws and their administration. [*§20.4*]

### 36.0 LOCAL REVENUE ACCOUNT AUDIT

**36.1 Audit report** – The council must demonstrate that

- a. the annual audit report of the first nation’s local revenue account required under section 14 of the Act has been prepared in compliance with the *Local Revenue Account Financial Reporting Standards*, and
- b. the audit report is available to the persons referred to in section 14 (2) of the Act. [*§19.7.1, 19.7.2*]

### **37.0 FIRST NATIONS TAX COMMISSION REVIEWS**

**37.1 Compliance with FNTC orders** – The council must demonstrate that

- a. the first nation has complied in a timely manner with all outstanding orders of the First Nations Tax Commission made under section 33 of the Act, and
- b. records of all proceedings under section 33 of the Act respecting the first nation have been retained.

### **PART THREE -MISCELLANEOUS**

### **38.0 SERVICES PAID FROM LOCAL REVENUE ACCOUNT**

**38.1 Local services list** - The council must maintain a list of all local services paid for in whole or in part from the local revenue account including details of existing service agreements and agreements under negotiation.

**38.2 Service delivery performance targets** - The council must establish and document the operating and service delivery performance targets for critical services referred to in standard 38.1.

### **39.0 FINANCIAL ADMINISTRATION LAW**

**39.1 Delivery of FAL** – The council must demonstrate that it has delivered a copy of the FAL to the First Nations Finance Authority as soon as practical after the law has been approved by the Board. *[§28.1]*





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