



LCFN FINANCE POLICY

April 30, 2011

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Definitions

“*CEO*” refers to the Chief Executive Officer – Interchangeable with Operations Manager

"*CFO*" refers to the Chief Financial Officer - Interchangeable with Bookkeeper

"*Council*" refers to the Lake Cowichan First Nation duly elected Chief and Council

"*Committee*" means a Committee recognized by the Lake Cowichan First Nation

"*Councilor*" means any member of the Council

"*Employee*" means any Employee of the Lake Cowichan First Nation

“*Finance Committee*” refers to the Committee that is appointed by Council to monitor the LCFN’s finances and financial record keeping and make recommendations to Council on behalf of the *LCFN* Membership.

“*Finance Department*” means the CFO and any Employees reporting to the CFO on finance or accounting activities

"*Financial Benefit*" includes but is not limited to: Employee benefits; contract benefits; educational, medical, or other social benefits; honoraria; payment of any money; allotment, leasing or other grant of an interest in *LCFN* lands.

"*LCFN*" means the Lake Cowichan First Nation

“*LCFN Member*" means a duly registered member of the Lake Cowichan First Nation

"*Material*" A dollar limit set by external accountants

"*Related Person*" means a spouse, common-law spouse, parent, parent-in-law, sibling, child, grandparent, grandchild, dependants, or a controlled corporation.

This policy was approved on _____, 2011

Chief Councilor _____

Councilor _____

Councilor _____

This policy comes into effect on the above date.

1. Objectives

The *LCFN* has as its financial objectives: Transparency, Accountability, Consistency, and Fairness.

Financial records and internal controls shall be established and maintained in such a manner as to provide reasonable assurance that:

- Assets are safeguarded, accounted for and controlled
- The financial resources of the *LCFN* are managed efficiently.

The *LCFN* financial management regulations provide the framework for *LCFN's* financial guidelines and procedures. These regulations contain the parameters within which *LCFN* conducts all financial transactions.

2. Roles and Responsibilities

The *Council* has the ultimate responsibility for financial matters. They are the fiduciaries for the *LCFN* membership. They must therefore carry out their responsibilities in a reasonable and prudent manner. Decisions must be made for the benefit of the *LCFN* and its membership.

The *Council* is accountable to the membership for all of the *LCFN* financial transactions and obligations. *Council* is responsible to ensure that activities carried out are consistent with this policy. *Council* shall review financial statements on a monthly basis and obtain an explanation for any significant variances from the budget.

The *Finance Committee* shall provide recommendations to the *Council* on financial matters. The *Finance Committee* shall also assist with the development of financial policies and procedures. On a quarterly basis, the *Finance Committee* will review the financial statements and make recommendations to *Council* for action. See the *Finance Committee's* terms of reference in Appendix D.

The *Chief Executive Officer (CEO)* shall be responsible to *Council* for ensuring that *LCFN's* financial activities are consistent with these regulations and shall be an Ex-Officio member of the *Finance Committee*.

The *Chief Financial Officer (CFO)* shall be responsible and accountable to the *CEO* for ensuring that financial activities carried out are consistent with these regulations, to the extent of his or her authority.

3. Financial Year

The *LCFN* fiscal year-end shall be March 31st of each year.

4. Operating Budgets

4.1. Budget

The *Finance Department* and *LCFN* department managers shall prepare annually the following documents:

- Operating Plan and Budget for each department
- Summary of the Department Budgets

The Operating budget will include all capital purchases planned for the year.

The *Finance Department* shall establish and maintain a process to ensure that plans and budgets are:

- Consistent with the *LCFN* classification of accounts
- Consistent with relevant *LCFN* regulations and policies
- Based on plausible assumptions
- Internally consistent

Upon completion of the budget it will be reviewed by the *Finance Committee* with recommendations to *Council*. All efforts will be made in this process to come to a collective agreement.

The annual budget must be approved by *Council* and presented at a community meeting by June 30 of each year. If the annual audit is not complete, a provisional budget must be approved.

During the year, the *Finance Department* shall analyze variances between budgeted and actual results.

4.2. Managers Responsibilities

Each Department Manager shall be responsible for the preparation of a work plan and budget for the fiscal year. These plans shall be presented to the *CFO* and *CEO* for approval.

During the year, each Department Manager shall make decisions and approve expenditures against their budget provided that the costs:

- are consistent with any relevant contribution agreement
- are in accordance with the Spending Authority Schedule (Appendix A)
- are not in excess of the approved budget for that fiscal year

If a Department Manager exceeds or foresees that they will exceed their budget for the year in any category, they must obtain authorization from the *CFO* or

CEO, before any further charges to that account are made. If the amounts are above the *CEO's* Spending Authority they must present the case to both the *Finance Committee* and *Council*.

5. Banking and Cash Management

The *Council*, with the assistance of the *Finance Committee* shall manage *LCFN's* cash efficiently and shall seek to maximize the return on its temporary surplus funds.

LCFN shall assess the cost and quality of its banking services relative to other banks, not less than every five years.

6. Financial Management Control Systems

LCFN financial information systems shall support business and financial reporting requirements, and will include controls to ensure that the information is complete, accurate, and properly authorized.

An effective back-up system must be in place for all electronic data. Back-up media should be stored in a secure off-site location or in a locked fireproof cabinet.

7. Signing Authorities

The cheque signing authorities are determined by *Council* and are listed in the Schedule of Signing Authority (Appendix B) along with any limitations.

Financial signing authority shall be delegated in such a way as to ensure an appropriate division of responsibility in the disbursement process.

Any amendment to the Schedule of Signing Authority requires written approval from *Council*.

7.1. Payment Authorization Controls

All cheques, automatic debit authorizations, acceptances, drafts, orders including orders made electronically shall be signed, endorsed or otherwise made by at least two persons noted in the Schedule of Signing Authority.

Cheque signatories shall be accountable for the disbursement of funds as a result of the issue of payments under their signatures.

Whenever possible, a signer will not sign a cheque payable to himself or herself.

Payments shall not be purposely parceled or divided in order that the signing authority is exceeded.

The *CFO* shall maintain the Schedule of Signing Authority on behalf of *Council*.

8. General Accounting Policies and Procedures

8.1. General

LCFN shall follow Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting & Auditing Principles (PSAAB).

8.2. Mail Opening

The *LCFN* Administrative Support Worker shall immediately date all communications upon receipt.

The *LCFN* Administrative Support Worker shall immediately record all cheques or other cash receipts in the appropriate receipt book and stamp “For Deposit Only to Lake Cowichan First Nation”.

8.3. Cash Receipts

Monies received must be recorded daily and deposited to the *LCFN* bank account as soon as reasonable. Any currency held on site must be kept overnight in a locked fireproof safe or cabinet.

Bank deposit slips must identify each item clearly so that all entries may be credited to the correct accounts. Documents supporting each item must be kept on file in an organized and traceable manner.

8.4. Accounts Receivable

All invoicing shall be done promptly following delivery of service or material, and no later than seven working days after month end.

Aged accounts receivable listings shall be reviewed monthly by the *CEO*.

Statements shall be sent no later than seven working days after month end for all outstanding invoices.

8.4.1. Collection Procedures

The *Finance Department* will ensure the following minimum procedures are completed and documented on outstanding receivables.

- Over 60 days, contact customer by phone
- Over 90 days, contact customer by phone and mail and report to *Council*.

8.5. Bad Debts

Council must approve, in writing all accounts receivable write-offs in excess of \$500. The following details should be presented to *Council* prior to acceptance:

- How the original A/R was incurred
- How many collection attempts have been made
- Current status

The *Finance Committee* shall review and make recommendations to *Council* for all proposed write-offs in excess of \$5,000.

8.6. Expenditures and Cash Disbursements

LCFN shall establish and maintain adequate controls to ensure that expenditures are authorized, recorded, and paid in a timely and accurate fashion.

8.6.1. Supporting Documentation

All payments issued must be supported with appropriate and approved documentation. Whenever possible, supporting documentation would include either the original invoice or timesheet.

The *CFO* or other appointed *Employee* will examine all cheque requisitions and sales invoices to ensure that the following is complete:

- Approval by department manager
- Document cancelled, to prevent duplicate entry
- Account coding noted
- All discounts taken
- Computation of the amount payable is correct
- Conformation with any applicable payment schedule

8.6.2. Preparation of Cheques

All cheque disbursements are to be made on serially numbered cheques.

Once a cheque has been signed, the cheque and a copy of any computer generated stub will be sent to the payee. A second copy of the stub will be attached to the invoice or cheque requisition for filing.

8.6.3. Cheque Cancellations

Where a cheque is cancelled before issuance, the original and the copies shall be marked 'Void' in ink and the signature block cut out.

The cancelled cheque will be filed with the general journal entries by transaction number.

Where a cheque needs to be cancelled after issuance to the Payee, a stop payment will be requested at the bank. Any replacement cheque will not be issued until written notification from the bank is received that the stop payment is in effect.

8.6.4. Outstanding Cheques

All cheques outstanding for more than six (6) months will be reversed by a general journal entry.

8.6.5. Adjustment of Coding Errors

The General Journal Entry procedure will be followed if a coding error is discovered.

If a coding error pertaining to the previous fiscal year is discovered and it is *Material*, any corrections to Income Statement accounts should be posted to the prior period adjustment account. Corrections to a Balance Sheet account may be posted directly to the relevant account.

8.7. Subsidiary Ledgers

Subsidiary ledgers shall be used to record transactions with debtors and creditors.

8.8. General Journal Entries

All general journal entries will have a journal voucher or supporting documentation to them. All general journal entries will be filed in numerical sequence by transaction number. The documentation will provide the details of/and an explanation of the journal entry.

8.9. Bank Reconciliations

For all *LCFN* bank accounts, a reconciliation shall be completed within 30 days of the bank statement cut-off date.

The *CFO* will review the monthly bank reconciliations as follows:

- Cursory review monthly where there are no imbalances
- Detailed review on a random basis throughout the year.

8.10. Year-End Accounting

In order to minimize audit costs, every effort shall be made to have all relevant items recorded in the accounts and the following schedules prepared in a complete and accurate fashion before the audit commences:

- Accounts Receivable sub-ledger
- Allowance for doubtful accounts schedule
- Accrued and other receivables
- Prepaid expenses

- Inventory
- Investment additions, disposals and adjustments
- Capital asset additions, disposals and write offs
- Accounts Payable sub-ledger
- Accrued and other liabilities
- Long term debt

Where possible, any third party confirmations required should be prepared and distributed prior to the commencement of the audit.

Accrued receivable and liability accounts shall be monitored regularly to ensure settlement in the subsequent financial year is recorded promptly and appropriately.

8.11. Tax Returns

The *CFO* is responsible for ensuring that all relevant tax returns are filed in an accurate and timely manner.

9. Accounting and Control of Advances

The *LCFN* shall establish and maintain adequate controls to ensure that expense advances are authorized, properly recorded and within authorized limits.

9.1. Travel Advances

Travel advances will not be issued more than one week in advance of the planned trip, and shall be approved by the responsible Department Manager and the *CFO* as per the adopted Travel Rates Schedule (Appendix C)

Advances will only be paid for expenses that can not be directly billed to the *LCFN*. If the amount of an advance is higher than the actual expenditures, the recipient must repay the difference immediately upon their return.

If an *Employee* travels to another meeting, the *Employee* must ensure that the previous advance has been dealt with, since only one (1) travel advance at a time is permitted to be outstanding.

9.2. Corporate Credit Cards

Corporate credit cards shall be used for *LCFN* and its controlled entities expenses only.

Any personal charges on a *LCFN* credit card will be charged a 20% administration fee and charges recovered through a payroll deduction. Chronic abuse (more than 2 transactions per calendar year) of cardholder policies will result in cancellation

of privileges. Usage of such credit cards is restricted to the spending limits assigned within the Schedule of Spending Authority (Appendix A).

9.3. Credit Card Reconciliation

An individual other than the cardholder shall prepare the monthly credit card reconciliation.

The cardholder shall make every reasonable attempt to submit receipts for each credit card transaction within two weeks of receiving the statement.

The reconciliation will include the following:

- Matching of credit card statement with original receipts
- Allocation to the appropriate general ledger accounts
- A follow-up of any unusual or unauthorized transactions
- A follow-up of any unpaid balances

The *CFO* will review the monthly credit card reconciliation as follows:

- cursory review monthly where there are no inconsistencies or unidentifiable entries
- Detailed review on a random basis throughout the year

Any inconsistencies, unidentifiable entries or non *LCFN* expenditures in the credit card statement shall be reported to the *CEO*.

9.4. Salary Advances

Where an *Employee* requests a salary advance, he/she may only have an advance equal to the estimated net pay for the amount of unpaid days they have already worked in the pay period. All advances must be pre-approved by the *CEO*, and repaid in the immediately following pay cheque. The *Employee* must sign a repayment agreement prior to receiving the advance.

Any advances not recovered within a two week period shall be reported to the *CFO* and the *CEO*.

10. Council Remuneration and benefits

A review of the *Financial Benefits* payable to *Council* will occur a minimum of every two years.

Any requests for changes to the remuneration or benefits of *Council* will be made to the *Finance Committee*. The *Finance Committee* will review and present the request along with their recommendation at a Community Meeting for approval.

11. Policy for Contracting Services

11.1. Competitive Bidding

Where the total value of the contract is over \$50, 000 including amendments, the *CEO* must initiate a Request for Proposals (RFP) process or ensure that a minimum of two (2) bids are received for the contract. For contracts of \$50,000 or less, the *CEO* may or may not initiate a RFP at his or her discretion.

The lowest bid will not necessarily be the one that is awarded the contract. Other criteria will also be considered such as:

- The bidder's track record and quality of workmanship and materials used
- Whether the company is owned by an *LCFN member*
- Number of *LCFN* members directly/indirectly employed
- Training offered to *LCFN* members

All reasonable attempts will be made to have a member of the *Finance Committee* present during the discussion to determine the successful bid.

All contracts are to be signed and authorized by the *CEO* once authorized by *Council*.

If there are opportunities to access money for the *LCFN* and time restrictions are so tight that there is no time for competitive bids, *Council* can direct the *CEO* to bypass the bidding process.

11.2. Contract Splitting

Contract splitting is not allowed. For purposes of this policy, contract splitting is defined as the dividing of a total contract requirement into one or more smaller contracts in order to avoid the contract authority guidelines set forth in this policy or any other financial or administrative policies of the *LCFN*.

11.3. Amendments

Contract Amendments must comply with the Schedule of Spending Authorities.

11.4. Disclosure

All contracts entered into on behalf of the *LCFN* must be disclosed on a timely basis to the *CFO*.

On a quarterly basis, the *CEO* will disclose to the *Finance Committee* a list of all contracts approved or active in the previous quarter. The list must contain the contractor name, purpose, amount and current status of the contract.

11.5. Employer-Employee Relationship

Under no circumstances may a contract be entered into with an individual which would have the effect of creating an Employer-Employee relationship, as defined by the Canada Revenue Agency, with the *LCFN*.

12. Asset Administration

12.1. Capitalization

The *LCFN* shall record as capital assets any asset or any expenditure relating to the alteration, modernization of such asset that meets the following criteria:

- A useful life in excess of one (1) year
- A per item cost in excess of \$500.
- A cost for furniture and office equipment in excess of \$1,000
- The cost for business premises renovations in excess of \$1,000 per project.

12.2. Leases

The classification and accounting for leases shall reflect the economic substance of the lease transaction, in accordance with General Accepted Accounting Principles:

- A lease that transfers substantially all of the benefits and risks of ownership of the leased property to the *LCFN* shall be accounted for as a capital lease
- A lease where the Lessor substantially retains the benefits and risks of ownership of the leased property shall be accounted for as an operating lease.

12.3. Amortization

The *LCFN* shall provide for amortization in accordance with Generally Accepted Accounting Principles. Business premises, office furniture and equipment, and vehicles shall be recorded on a straight line basis over the estimated useful life of the asset.

12.4. Write-Offs

Where assets become obsolete, worthless, or lost they shall be written-off.

12.5. Disposal

The *LCFN* shall dispose of assets where:

- An improvement in the rate of return cannot be achieved without adverse impact on policy objectives
- The holdings of such assets involves the *LCFN* in an activity deemed inappropriate by the *Council*

Such disposals shall be at market value.

13. Internal Management Reports

The *LCFN* shall maintain internal management reporting systems that provide Management with financial reports that are relevant, understandable, timely, accurate, and consistent.

Internal reports will show actual results compared to budget in order to provide management with information that will assist in the attainment of goals.

Internal financial statements shall be prepared and distributed to *Council* and the *CEO*, and the *Finance Committee*. Summarized financial statements will be provided to the Lake Cowichan First Nation community on at least a quarterly basis.

14. External Financial Reporting

External financial reporting will be prepared by the *LCFN* in a format that will portray its financial activities in a clear and comprehensive manner.

The principal external reports are the financial statements and budget summaries. In its annual report, the *Council* shall acknowledge its responsibility for establishing and maintaining a system of books, records, internal controls and management practices to provide assurance that reliable financial information is produced and that assets are safeguarded and controlled.

The *Council* with the assistance of the *Finance Committee* shall appoint the external auditor.

The *Finance Committee* will be responsible for:

- Assessment of the *LCFN* accounting policies and reporting whether the policies are consistent in letter and spirit
- Review of the audited financial statements and submission of a report that will assist the members in determining whether to approve the audited financial statements.

15. External Performance Reporting

The *LCFN* shall endeavor to select key indicators of performance and report these in an Annual Report.

16. Violations

Any violations of this policy observed by *LCFN* staff, *LCFN* members or others should be promptly reported to *Council* in writing. *Council* shall immediately take action to bring the *LCFN* into compliance with this policy

Appendix A: Schedule of Spending Authority

POSITION	LIMIT
Chief or <i>Councilor</i>	\$5,000
Dept Manager or Director of Operations	\$2,500
Finance Clerk/Administrative Support Worker	\$500

Appendix B: Schedule of Signing Authority

Primary Signing Authority (ies):

_____	_____	_____
Print Name	Signature	Initial

_____	_____	_____
Print Name	Signature	Initial

_____	_____	_____
Print Name	Signature	Initial

Alternate Signing Authority (ies):

_____	_____	_____
Print Name	Signature	Initial

_____	_____	_____
Print Name	Signature	Initial

_____	_____	_____
Print Name	Signature	Initial

Authenticated By:

_____	_____
<i>CFO</i>	Date

Appendix C: Travel Rates Schedule

Refer to Federal Government Travel Directorate

Appendix D: *Finance Committee* Terms of Reference



Lake Cowichan First Nation

Finance Committee – Draft Terms of Reference

Revised April 30, 2011

Purpose: To monitor the administration's finances and financial record keeping and make recommendations to *Council* on behalf of the Lake Cowichan membership

Council hereby establishes and appoints a *Finance Committee* to be comprised of five (5) people. Chief and *Council* will appoint Two (2) members of *Council*, and three (3) Lake Cowichan members. Three (3) members of the *Finance Committee* shall constitute a quorum.

The Chief Executive Officer and the Chief Financial Officer will form a part of the *Committee* in a non-voting advisory capacity.

- The *Finance Committee* shall be chaired by the *Council* representative.
- The term of the *Finance Committee* shall be 3 years commencing in year 1 of a newly elected *Council's* term.
- The duties and responsibilities of the *Finance Committee* and the Chairperson shall be governed by this policy.
- All proceedings of the *Finance Committee* are confidential and all *Material* for external circulation must be approved by the Chief Financial Officer. Any member that abuses this condition will be removed by a motion of Chief and *Council*.
- Members of the *Committee* must be vigilant in respecting all potential for Conflict of Interest. It is incumbent on all *Committee* members to identify potential conflicts when applicable.

Duties and Responsibilities:

- Monitor revenue and expenditures as compared to budget on a quarterly basis,
- Monitor investments quarterly,
- Review the draft annual budget prepared by staff and make recommendations to *Council* and membership.
- Review the draft audited statements and recommend their approval to the membership and *Council*.
- Consider the appointment of an auditor and recommend accordingly to *Council*.
- Review and strategize about funding sources for *LCFN Council*.
- Assist in the development of financial administrative/management policies and procedures.
- Build awareness through education within membership regarding financial accountability

The *Committee* shall meet at least quarterly to carry out its responsibilities.