

Financial and Operational Reporting Policy

Policy

Financial statements and reports will be prepared on a regular basis in accordance with Generally Accepted Accounting Principles (GAAP) in accordance with the Nipissing First Nation's Financial Administration Law. An annual operations report, including the audited annual financial statements and an assessment of progress towards financial and operational goals of Nipissing First Nation, will be published following the fiscal year end and will be provided to Nipissing First Nation members, Council, and other organizations as required.

Purpose

The purpose of this policy is to establish financial reporting requirements and practices to facilitate the preparation and reporting of timely, accurate and relevant financial information on which to assess progress toward goals.

Scope

This policy applies to all of the financial operations and activities of Nipissing First Nation including those operations that Nipissing First Nation controls. The persons affected by this policy include the Council, Finance and Audit Committee, Chief Executive Officer, Chief Financial Officer and managers of Nipissing First Nation.

Definitions

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

“Financial reports list” means the list of financial statements and reports that are to be prepared on a regular basis.

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

“GAAP” refers to generally accepted accounting principles (“GAAP”) of the Canadian Institute of Chartered Accountants, as amended or replaced from time to time.

“Internal control” is a process, effected by Nipissing First Nation’s Council, Finance and Audit Committee, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of reporting; and
- Compliance with applicable laws and regulations.

Responsibilities

Council is responsible for:

- Reviewing the financial statements and reports, and the Finance and Audit Committee’s corresponding recommendations;
- Deciding whether to approve the financial reports list, the financial statements and reports.

The Finance and Audit Committee is responsible for:

- Determining the financial reports list contents and frequency of reporting it requires from Nipissing First Nation’s management team;
- Reviewing the financial reports list, the monthly reports, quarterly and annual financial statements and reports and the Chief Executive Officer’s corresponding recommendations, and making appropriate recommendations to Council.

The Chief Executive Officer is responsible for:

- Preparing and updating the financial reports list;
- Reviewing the financial statements and reports and making appropriate recommendations to the Finance and Audit Committee;
- Identifying, assessing, monitoring and reporting on financial reporting risks to the Finance and Audit Committee;
- Monitoring and reporting on the effectiveness of mitigating controls for the financial reporting risks and fraud risks taking into consideration the cost of implementing these controls;
- Ensuring that financial reporting risk assessment and management practices have been performed in relation to quarterly and annual financial statements;
- Periodically reviewing these policies in consultation with the Chief Financial Officer and other staff as appropriate and recommending any updates to the Finance and Audit Committee.

The Chief Financial Officer is responsible for:

- At the end of each quarter of the fiscal year, the Chief Financial Officer must prepare financial statements for Nipissing First Nation for that quarter in the form and with the content approved by the Council on the recommendation of the Finance and Audit Committee; ~~Preparing the financial statements and reports in accordance with GAAP and this policy and procedure;~~
- The Chief Financial Officer must provide the quarterly financial statements to the Council and the Finance and Audit Committee not more than forty-five (45) days after the end of the quarter of the fiscal year for which they are prepared;
- Assessing and managing financial reporting risk and reporting risks to the Chief Executive Officer;
- Developing and recommending procedures for identifying and mitigating financial reporting risks and fraud risks and ensuring approved procedures are followed.

Managers are responsible for:

- Providing all requested information in relation to the preparation of financial statements and reports and the assessment and management of financial reporting risk.

Procedures

Financial Reports list

Council and the Finance and Audit Committee, with the assistance of the Chief Executive Officer, is responsible for preparing a list of all financial statements and reports that are to be prepared on a regular basis.

The financial reports list must include the required monthly information, as well as quarterly and annual financial statements.

Monthly reports are prepared by the Chief Financial Officer and will be tailored to the needs of Nipissing First Nation's management team for monitoring purposes in the form and content recommended by the Finance and Audit Committee and approved by Council.

For each report or financial statement listed, the following information must also be identified:

- A brief description or contents of the report;
- The person responsible for its preparation;
- When it is to be made available and its frequency;
- The report's distribution.

The Finance and Audit Committee will review and update the financial manifest reporting requirements report list annually, and submit the list to Council for their review and recommendation.

Council will review and approve the financial manifest reporting requirements report list.

Financial Statement Preparation

The Chief Financial Officer ~~and/or the Finance Manager~~ will prepare monthly information regarding the financial affairs of Nipissing First Nation and its quarterly and annual financial statements. Other financial reports that are listed in the approved financial reports list will be prepared by the person identified as responsible for its preparation.

Quarterly financial statements must be prepared and presented to Council and the Finance and Audit Committee not more than forty-five (45) days after the end of the quarter of the fiscal year for which they are prepared. Each quarterly financial statement will include the following for Nipissing First Nation and all its related bodies:

- A statement of revenue and expenditures containing a comparison to the approved annual budget;
- A statement of financial position;
- Financial institution account reconciliations;
- Financial information for the self-generating revenue account as required by Nipissing First Nation's Financial Administration Law.

Each quarterly financial statement will be made available to all members of Nipissing First Nation [at the principal offices of Nipissing First Nation, on the Nipissing First Nation website, etc.] as required by the Nipissing First Nation Financial Administration Law.

Each annual financial statement will include the following for Nipissing First Nation and all its related bodies:

- The financial information for Nipissing First Nation for the fiscal year prepared in accordance with GAAP;
- The financial information for the self-generating revenue account that is required to meet the First Nation Financial Management Board's standards regarding audit of the account;
- The revenue categories for the Nipissing First Nation lands referred to in subsection [26 (2)] of Nipissing First Nation's Financial Administration Law;
- A special purpose report setting out all payments made to honour guarantees and indemnities;
- A special purpose report setting out the information required in section [10] of Nipissing First Nation's Financial Administration Law (reporting of compensation, benefits and perks of Councillors, Chief Executive Officer and their respective families);
- A special purpose report setting out all debts or obligations forgiven by Nipissing First Nation;
- A special purpose report setting out the information required in paragraph 64(3)(c) of Nipissing First Nation's Financial Administration Law (lending program to Nipissing First Nation members);
- Nipissing First Nation has a land code in force, therefore, a report is done setting out moneys of Nipissing First Nation derived from Nipissing First Nation lands, categorized

and shown separately from other revenues and that includes a sub-category respecting revenues from natural resources obtained from Nipissing First Nation lands; and

- Any other report required under the Act or an agreement.

Annual audited financial statements will be prepared, reviewed by the Finance and Audit Committee and reviewed and approved by Council within 120 days after fiscal year end according to a standard “financial closing and reporting process checklist”.

Annual financial statements, the corresponding completed financial closing and reporting process checklist, and the highlights memo (if applicable), will be signed by the Chief Financial Officer and presented to the Finance and Audit Committee along with his / her comment(s) and recommendation(s), no later than forty-five (45) days following the end of the fiscal year for which they were prepared.

The Finance and Audit Committee will review the annual financial statements, the accompanying information, and the Chief Financial Officer’s comment(s) and recommendation(s). Subsequently, the Finance and Audit Committee will forward the financial statements, accompanying information, and its comment(s) and recommendation(s) to Council no later than [60] days following the end of the fiscal year for which they were prepared.

Council will review the annual financial statements, the accompanying information, and the recommendation(s) of the Finance and Audit Committee and the Chief Executive Officer, and make a decision to approve or not approve the annual financial statements.

In the event that the financial statements are not approved by Council, a documented rationale will be communicated to the responsible party(ies) for corrective action. The financial statements will be re-submitted for approval within the timeframe stated by Council.

A “financial reporting record” file will be created for each annual financial statement. The financial statement record file will at a minimum contain the:

- Financial statements presented to Council for approval;
- Record of, or reference to, Council’s decision to approve or not approve the financial statements, the Finance and Audit Committee’s recommendation(s), and the Chief Executive Officer’s recommendation(s);
- Completed financial closing and reporting process checklist;
- Completed highlights memo (if applicable).

The financial reporting record file will be classified as confidential and secure, and maintained according to the Records and Information Management Policy and Procedure. Retention period will be seven years.

Financial Reporting Risks

The Chief Financial Officer will maintain the financial manifest reporting requirements list to ensure that all identified financial statements and reports have been prepared and submitted for review and approval by the dates specified.

Annually, as part of the evaluation process, the Chief Executive Officer will ensure that the persons engaged in the financial management system:

- Have the necessary knowledge, skills and competence to perform the services for which they have been engaged;
- Confirm in writing that they understand their responsibilities.

The Finance Manager will develop a “financial closing and reporting process checklist” for use at the end of each accounting period, which will include procedures to mitigate financial reporting risk. The financial closing process checklist will include the following minimum procedures:

- Reconciliation / analysis of all statement of financial position accounts with approval by the Chief Financial Officer. In those instances where the Chief Financial Officer prepared the reconciliation or analysis, then the Chief Executive Officer will be required to approve the reconciliation or analysis (or alternatively a member of the Finance and Audit Committee);
- Review of trade, loan and other receivable balances to identify late payments. Late payments followed up on and have been reviewed for collectability. Any necessary adjustment to the allowance for doubtful accounts has been prepared;
- Reconciliation of general ledger balances with sub-ledger balances (e.g. trade accounts receivable, trade accounts payable, contribution receivable, etc.);
- Search for unrecorded liabilities and preparation of accrual journal entries, including:
 - Reconciliation of supplier statements;
 - Review of unmatched receiving information;
 - Review of unmatched purchase orders;
 - Review of numerical continuity of purchase orders;
 - Review of current contracts for supplies or services, including follow-up with supplier when necessary;
 - Enquiries of departmental managers for any invoices, expense reports, commitments or any other knowledge of liabilities incurred at reporting date.

The “financial closing and reporting process checklist” will be approved by the Chief Financial Officer on a monthly basis.

Analysis of revenue and expense accounts for budgetary variances and for reasonability, where necessary, will be prepared by the Chief Financial Officer and the Finance Manager including:

- Reconciliation of payroll expense to the payroll register and bank account balance;

- Preparation of non-recurring journal entries and journal entries not in the ordinary course of business, with supporting documentation;
- Approval of material non-recurring journal entries and journal entries that are not in the ordinary course of business by Finance and Audit Committee;
- Recurring journal entries have been prepared, approved by the Chief Financial Officer, and recorded;
- The financial statements have been reviewed for accuracy, additions, and cross-references. The financial statements agree with the general ledger;
- The presentation of the financial statements has been reviewed. Necessary disclosures and reclassification entries have been prepared and have been approved by the Chief Financial Officer;
- Draft departmental financial statements have been provided to managers for their review, comment and budgetary variance explanations. Any issues or questions have been resolved;
- The Chief Financial Officer is satisfied that the financial statements are accurate and presented in accordance with GAAP.

The Chief Financial Officer will prepare a highlights memo for each set of quarterly and/or annual financial statements prepared. The highlights memo will, at a minimum, report:

1. Financial Performance, specifically:
 - An assessment of the overall financial situation for Nipissing First Nation (i.e. surplus, deficit, adequate reserves, etc.);
 - A review of progress towards financial and operational goals set during the planning process;
 - Identification and explanation of material budgetary variances;
 - Current ratio and any ratios required to be maintained by contract (e.g. financial covenants contained in borrowing agreements);
 - Doubtful accounts receivable, with changes since last quarter summarized;
 - Payment status of statutory and contractual obligations. Specifically, a listing of all late payments with explanations;
 - Remediation options where financial performance is not in accordance with plans.

2. Exceptions to expected financial and system performance. Specifically:
 - Unanticipated problems preparing the financial statements and the resolution;
 - Unusual or unexpected accounting balances or transactions;
 - Accounting entries not in the ordinary course of business;
 - Explanation of transactions where measurement or accounting treatment was uncertain or where there were choices under GAAP;
 - Weaknesses in, and suggestions to improve, the financial management system;

- Instances of financial administration law or system non-compliance, fraud and / or unauthorized activities.

Forecast to end of year. Specifically:

- Forecast of annual operations and budgetary performance, annual cash flow and expected cash surplus or financing requirements;
- Statement of assumptions used in the budget process and any changes in assumptions that affect the budget;
- Identification of emerging financial performance risks and opportunities;
- Remediation options where forecast financial performance is not in accordance with plans.
- Changes to the accounting software (i.e. new system or major changes to the current system set-up) require authorization from the Chief Financial Officer and consultation and communication with the Finance and Audit Committee and Council. Changes such as the addition/deletion/modification of general ledger accounts, customer/member accounts, or vendor accounts require approval from the Chief Financial Officer or designate.

Fiscal Year

The fiscal year for Nipissing First Nation will be the period beginning on April 1 and ending on March 31 of the following year.

Annual Report

The Council must prepare and publish an annual report within the timeline specified in Nipissing First Nation's Financial Administration Law that details the progress towards the financial and operational goals of the Nipissing First Nation over the course of the fiscal year.

The annual report will contain, at a minimum, the following:

- A description of the services provided by Nipissing First Nation and its operations;
- A review of Nipissing First Nation's achievement towards its values, goals and objectives;
- A progress report on any established financial objectives and performance measures of Nipissing First Nation;
- The audited annual financial statements for the previous fiscal year including any special purpose reports prepared and approved in accordance with the External Audit Policy.

The annual operations report will be made available to all members of Nipissing First Nation [at the principal offices of Nipissing First Nation, on the Nipissing First Nation website, etc.] as required by the Nipissing First Nation Financial Administration Law, and provided to all Council members, to the Board, to the First Nations Finance Authority and other organizations as required.