

KITIGAN ZIBI ANISHINABEG

# Finance Policy

AUGUST 2015

# PREAMBLE

The Kitigan Zibi Anishinabeg Finance Policy is updated in order to ensure that the delivery of new or existing programs and services are carried out within a transparent and accountable Kitigan Zibi Anishinabeg framework. This approach is essential in order to maximize the use of funding provided by government agencies as well as financial resources generated by the community.

The structured and consistent implementation of proactive internal financial controls is critical in order to ensure that program and budgetary planning is undertaken in a reflective, accountable and prudent manner. This important approach is a cornerstone for the Kitigan Zibi Anishinabeg community as it moves forward in a manner that will demand discipline but will ensure short, medium and long term sustainability. This policy is subject to an annual review by Service Directors.

The financial procedures that follow set out the mandatory approaches in regards to financial management and administration and as such, shall be consistent with operational plans.

Approved by Band Council Resolution 28 on August 18, 2015

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# SECTION 1

## GLOSSARY

Accounts Payable	Is money owed by the Band and shown on the Balance Sheet as a Liability. Money owed by the Band generally comes from expenses such as phone bills, hydro, supplier purchases etc.
Accounts Receivable	Is money owed to the Band and shown on the Balance Sheet as an Asset. Money owed to the Band generally comes from funding agreements and loans.
Angel Investor	An angel Investor or angel (also known as a business angel or informal investor) is an affluent individual who provides capital for a business start up, usually in exchange for convertible debt or ownership equity. A small but increasing number of angel investors organize themselves into angel groups or angel networks to share research and pool their investment capital, as to provide advice to their portfolio companies.
Assistant Directors	Refers to Assistant Director of Education, Assistant Director of Health and Social Services, Assistant Community Services Director
Assets	Anything owned by the community having a monetary value such as cash, equipment, buildings, vehicles etc.
Auditor	Means the external auditor selected by the Chief and Council to conduct an annual financial review of Kitigan Zibi to ascertain the validity and reliability of the financial reports as well as to provide an assessment of the system's internal control. The goal of the auditor is to express an opinion of the community's accounting and financial statements according the GAAP.

Bad Debts	A bad debt is an amount owed to the community that is written off as a loss (and classified as an expense) because the money cannot be collected and all reasonable efforts to collect it have been exhausted.
Balance Sheet	A Balance Sheet is a statement of financial position at a specific period and is comprised of three parts, assets, liabilities and equity.
Band	Means the Kitigan Zibi Anishinabeg
Band Council Resolution	A formalized document approved by Chief and Council to enact or confirm a decision made by the Band Council. Band Council Resolutions require quorum in order to be valid
Budget	A forecast of revenues and expenditures. Budgets are based on a specific period of time and program and generally budgets are planned annually.
Cashflow	The movement of cash in and out from day to day financial transactions.
Chief and Council	Duly elected representatives of the community
Comptroller	Sector Director delegated the responsibility to overlook funding agreements and ensure that the terms and conditions of agreements are met and the adopted budgets are respected.
Conflict of interest	A conflict of interest generally arises when private interests or personal consideration directly or indirectly affects a transaction that is not in the best interest of the community. A conflict of interest can be perceived or real. Note: Fairness, transparency and accountability must prevail.
Contractor	Any person or company who is issued a specific work responsibility with established terms and conditions at a set given price. A contractor is legally responsible for any employee carrying out work as stipulated in a service contract or agreement. A contractor is not an employee of the Kitigan Zibi Anishinabeg while carrying out contract work.

Current Assets	Anything owned by the community having a monetary value that can be converted into cash within twelve months of the balance sheet date.
Current Liabilities	Money owed that is due for payment within twelve months of the balance sheet date.
Depreciation	A method of allocating the value of a tangible asset over its useful life. The cost is allocated as an expense while reducing the value of the asset.
Employee	A person who is hired to provide services in the community on a regular basis in exchange for compensation and who does not provide these services as part of an independent business.
Finance Clerk/Officer	The Finance Administration Clerk is responsible for providing financial, administrative and clerical services in order to ensure effective, efficient and accurate financial and administrative operations. The Finance and Administration Clerk must comply with the GAAP (Generally Accepted Accounting Principles), internal policies and applicable funding agreements.
Fixed Assets	Assets held for use by the community, an example is equipment, buildings etc.
Fixed Costs	An expense which does not vary for a period of time. An example would be depreciation, permanent staff wages etc.
Equity	The value of the community. This is the third part of the balance sheet which shows the value of the community using the formula of $\text{Assets} - \text{Liabilities} = \text{Equity}$
Finance Supervisor	The Finance Supervisor is responsible for managing financial, human resources and administrative functions. This includes conducting financial analyses and preparing financial reports; developing and implementing an effective system of accounting; managing the payroll system and maintaining accurate and current financial records.
Fiscal year	Means the period beginning on April 1 <sup>st</sup> of one year and ending on March 31 <sup>st</sup> of the next calendar year

GAAP	Means the generally accepted accounting principles of the Canadian Institute of Chartered Accountants, as amended or replaced from time to time. This common set of accounting principles, standards and procedures is used to compile the financial statements.
Immediate Family	Refers to spouse (implies common law as well), father, mother, child, step-child, sister/brother, father/mother-in-law, brother/sister-in-law, child of spouse or custom adoption, grandparent, grandchild, aunt, uncle, niece, nephew, son/daughter-in-law.
Including	Means to contain as part of a whole and/or as part of something larger.
Liabilities	General term for what the community owes. This includes accounts payable, loans payable, leave payable etc.
Petty Cash	Petty cash is a small amount of discretionary funds in the form of cash used for expenditures where it is not convenient to make a disbursement by cheque.
Policy	A document outlining guidelines and regulations for the control and management of programs. A policy is a principle or rule to guide decisions and achieve rational outcomes. Policies are adopted by the Chief and Council by resolution. Policies can assist in both subjective and objective decision making.
Restricted Funds	These are funds that are earmarked for a specific purpose and cannot be used for any other purpose.
Revenues	Income received from all sources such as the sale of goods, funding agreements, services etc.
Service Directors	Refers to the person responsible for programs and services under the direction of the duly elected Band Council. The Service Directors are: Community Service Director/Financial Comptroller, Director of Education, Director of Health and Social Services, Director of Police Services and other Directors as duly recognized by Band Council Resolution.

# SECTION 2

## MISSION STATEMENT AND OBJECTIVES

### 2.1 Mission Statement

The Kitigan Zibi Anishinabeg aims to ensure a functional process by which accountability, transparency, planning, budgeting and evaluation of the Kitigan Zibi Anishinabeg finances meet all legal and financial obligations.

### 2.2 Objectives

- 2.2.1 To implement an accounting and financial system that will ensure the sound management of all community funds.
- 2.2.2 The Kitigan Zibi Anishinabeg shall meet the objectives as described in funding agreements based on priorities confirmed by the Band Council.
- 2.2.3 Accounting standards and financial and management control shall be established and maintained in such a manner as to provide reasonable assurance that:
  - a) Assets are safeguarded, accounted for and controlled.
  - b) The transactions of Kitigan Zibi are in accordance with GAAP, Kitigan Zibi Anishinabeg policies and the funding agreements signed.
  - c) The financial, human and physical resources of Kitigan Zibi are managed economically, efficiently and transparently.

# SECTION 3

## ROLES AND RESPONSIBILITIES

### 3.1 Chief and Council

- 3.1.1 The Chief and Council and through delegated authority to its Service Directors; in its responsibility towards the membership; are accountable for all the community's financial obligations.
- 3.1.2 The Chief and Council shall ensure that financial matters and accounting policies, delegated authorities and guidelines are consistent with sound accounting practices.
- 3.1.3 Cheque signing, banking and resolutions shall represent those authorities delegated by the Chief and Council to Directors, Assistant Directors and finance employees to carry out business operations for the service sectors.
- 3.1.4 It is the responsibility of Chief and Council to:
- Approve budgets for the administration of all service sectors.
  - Ensure sound financial administration policies are reviewed and updated on a regular basis to ensure they are kept current.
  - Ensure adherence to funding agreements' terms and conditions and that all programs and services are administered accordingly.
  - Initiate or conduct investigations and take necessary disciplinary actions as may be required when a Director, Assistant Director or any KZA Employee does not comply with Kitigan Zibi Anishinabeg policies and directives; or where there is sufficient evidence of mismanagement or fraud.
  - Ensure all budgets and financial decisions are approved by a duly signed Band Council Resolution. Quorum of the Chief and Council is required for any financial decision or policy approval prior to being adopted and implemented.

## 3.2 Service Directors

- 3.2.1 The Kitigan Zibi Anishinabeg Operational Plan is a statement of activities to be undertaken within a specified fiscal year. Each Service Director is responsible for preparing an annual operational plan and budget projection to be submitted to the Comptroller by February 21st of each fiscal year. All operational plans and budget will be approved by Chief and Council prior to the commencement of the fiscal year.
- 3.2.2 The Service Directors shall prepare operational plans and applicable budgets in accordance with the legal and established financial framework.
- 3.2.3 The Service Directors shall establish and maintain a process to ensure that these budgets are:
- a) Prepared in accordance to standard accounting practices.
  - b) Prepared in accordance with anticipated and/or confirmed resource allocations.
  - c) Consistent with this finance policy.
  - d) Consistent with the chart of accounts.
  - e) Prepared on the basis of approved performance standards.
  - f) Based on plausible assumptions.
  - g) Internally consistent.
- 3.2.4 All budget plans prepared shall consist of:
- a) A program list complete with funder codes (if applicable), KZA finance codes and anticipated revenues;
  - b) An employee list and associated salary costs;
  - c) A budget spreadsheet for each funding agency that is consistent with the chart of accounts;
  - d) Individual budget pages
- 3.2.5 The Service Directors and their delegates are required to follow and implement the Finance Policy.



### **3.3 Finance Department**

- 3.3.1 The Finance department is one of the most important departments in the Kitigan Zibi Anishinabeg as it helps provide the financing and accounting information necessary to make various decisions. However, this department has a role that encompasses a number of duties.
- 3.3.2 The activities expected from a finance department cover a wide range from bookkeeping to providing information to assist senior management in making strategic decisions.
- 3.3.3 At the base level, the finance department will be responsible for all the day to day transactional accounting for the business. This will include the tracking of all transactions and the provision of such information to the Service Directors for reporting purposes.
- 3.3.4 The finance department is also responsible for the management of the organization's cash flow and ensuring there are sufficient funds available to meet the day to day operations. This area also encompasses the credit and collections policies for the company's customers, to ensure the organization is paid on time, and that there is a payment policy for the company's suppliers. KZA shall have a form of forecast prepared on a regular basis to systematically calculate the ongoing cash needs.
- 3.3.5 Where there are cash needs beyond the day to day working capital, the finance department is responsible for immediately advising the Comptroller and Chief and Council. Financing may be obtained through a bank or Cooperative lender.
- 3.3.6 For community-owned businesses and if the community is ready to target angel investors or venture capitalists, the finance department will be key in preparing the documents required for these presentations and may work with outside consultants on a company valuation. In larger business minded communities that are considering public share offerings, the finance department will assist with the preparation of the offering documents but will likely also use outside consultants to advise on this complicated process.



# SECTION 4

## FINANCE POLICY AND AMENDMENTS

### 4.1 Financial Policy

- 4.1.1 The Kitigan Zibi Financial Policy provides the framework within which the community's procedures are established. The regulations set out the parameters within which business transactions are made.
- 4.1.2 For the purpose of sound administration, the Kitigan Zibi Anishinabeg shall establish significant accounting policies and practices for the control of revenues and expenses.
- 4.1.3 The Community Services Director/Financial Comptroller shall ensure that the Finance Policy is reviewed annually and shall bring forward to the Chief and Council any recommendations for amendment if required.

### 4.2 Amendments

- 4.2.1 Recommendations for amendments to the Finance Policy must be given to the Community Services Director/Financial Comptroller in writing. The Community Services Director/Financial Comptroller will review and present to the Chief and Council all recommendations for amendments to the Finance Policy. All amendments require the approval of the Chief and Council through Band Council Resolution before they come into effect.
- 4.2.2 Amendments to this policy can be made at any time if required to adapt to any changes in funding agreements or ensure sound financial management. Any amendment must be approved via a Band Council Resolution.

# SECTION 5

## FINANCIAL YEAR

### 5.1 Financial Year

- 5.1.1 The Kitigan Zibi Anishinabeg financial year begins April 1<sup>st</sup> and ends March 31<sup>st</sup> the following calendar year.
- 5.1.2 Changes to the fiscal year must be approved via a Band Council Resolution

# SECTION 6

## BUDGET ADMINISTRATION

A budget aids in the planning of programs and services by managers and employees. It also helps coordinate the activities of the organization by compelling staff to review budgetary constraints, control expenses and examine variances within their programs. The ensuing variance report is the first indication of possible problems within a program and serves as a guide to users and management.

### 6.1 Budget process

- 6.1.1 All Directors must prepare budgets according to the reasonable expectation of funds.
- 6.1.2 Budget process must be completed and submitted to the Comptroller by February 28<sup>th</sup> of each fiscal year for the following fiscal year.
- 6.1.3 Each budget may have a contingency provision not greater than 5%.
- 6.1.4 Each budget may have an administration fee, if funding is from a source other than AANDC. The minimum administration fee amount is 3% of budget.
- 6.1.5 The Comptroller must review all sector budgets by March 6<sup>th</sup> of each fiscal year.
- 6.1.6 Annual budgets will be presented and approved by Chief and Council a minimum of 10 working days prior to the new fiscal year.

### 6.2 Approval and Control process

- 6.2.1 The Service Directors are required to prepare a budget and operational plan that will identify human resource needs, operational costs, capital costs, and any need for reorganization, for presentation and approval by Chief and Council, approval will take place no later than a minimum of 10 working days prior to the new fiscal year.
- 6.2.2 Budgets are to be approved by Band Council Resolution before any commitments are made.
- 6.2.3 Upon approval the Finance Supervisor or designate will enter the approved budgets into the accounting software for each program. The Finance Supervisor cannot make any amendments to the budgets without approval from the sector Director, Comptroller and Band Council.

- 6.2.4 The Finance Supervisor shall ensure that approved budgets for the new fiscal year are entered into the software system no later than April 15<sup>th</sup> of each fiscal year.

### **6.3 Budget Monitoring and Mid-Year review**

- 6.3.1 Budgeted funds approved by the Kitigan Zibi Anishinabeg are to be expended for the purposes identified and approved.
- 6.3.2 The Finance Supervisor shall provide the Service Directors with quarterly financial statements for their respective programs.
- 6.3.3 The Comptroller will meet monthly with Service Directors to review the finances for their respective programs.
- 6.3.4 The Service Directors should all have computer access to the ledgers related to their programs in order to review posted transactions.
- 6.3.5 The Service Directors are required to conduct a mid-year review and provide, in person, to the Chief and Council with an updated amended budget, if required, as a result of the mid-year variance report.

### **6.4 Budget Amendments Process**

- 6.4.1 All Directors, Managers or authorized personnel shall review their budgets mid-year. Any additions, deletions or modifications to the budget must be presented to Chief and Council for approval.
- 6.4.2 Any additions, deletions or modifications to the budget require approval of the Chief and Council through Band Council Resolution.
- 6.4.3 The Finance Supervisor will amend budgets within the accounting software upon Band Council approval.

# SECTION 7

## GENERAL ACCOUNTING PRACTICES AND FINANCIAL CONTROL

**Kitigan Zibi Anishinabeg in respect of its objectives shall follow sound management practices and GAAP. The aggregate set of practices and procedures will allow for the accurate, transparent and effective handling of all monies and contracts. A system of sound financial management should be characterized by the existence and proper functioning of the following attributes;**

- A coherent set of accounting procedures and standards which reveal that community monies were spent in accordance with due authority, that all transactions were recorded accurately and that a complete audit trail exists to facilitate a post expenditure review;
- Transparent budget mechanisms for the allocation of monies to various programs;
- An effective system of scrutiny of all programs;
- An efficient and equitable revenue raising mechanism which is effective and to the benefit of the community government;
- Performance indicators associated with all programs so that the economy with which programs are managed and their effectiveness in meeting declared targets can be measured;
- A decision making and approval system which limits the span of influence exercised by any one individual over a particular spending program.

### 7.1 Signing Authorities

**Legal power delegated annually by Chief and Council, to appoint individuals to sign on behalf of the community. The signing authority authorizes specific individuals to sign one or more of the following documents; purchase orders, cheque requisitions, contracts, funding agreements, cheques. The signing authority will also indicate the maximum dollar limit for each individual, if applicable. All authorized signatories must keep all financial information acquired by virtue of being an authorized signatory confidential at all times.**

- 7.1.1 Prior to the start of each fiscal year Service Directors are required to complete Appendix 1, Delegation of Signing and Purchasing Authority for Band Council approval.



- 7.1.2 Financial signing authority shall be delegated in such a way as to ensure an appropriate division of responsibility in the disbursement process.
- 7.1.3 No employee who is in an acting position shall be permitted to exercise the authority granted to a Service Director without Band Council authorization.
- 7.1.4 Delegation of authority may be limited or revoked by the Chief and Council. Such limitation or revocation shall be implemented via the completion of Appendix 1, Delegation of Signing and Purchasing Authority.
- 7.1.5 No employee shall exercise any element of financial signing in connection with any form of payment from which he/she can personally benefit or, is in a perceived conflict of interest or if such is for a member of their immediate family.
- 7.1.6 Service Directors cannot enter into any kind of agreement which would be considered conflict of interest or is for immediate family members. All such agreements must be pre-signed by their portfolio holder or the finance portfolio holder.
- 7.1.7 No employee convicted of fraud, theft, impersonation or similar offence will have signing or purchasing authority.
- 7.1.8 Signing authority for Funding agreements, Contracts and bank account cheque signatories must be issued via Band Council Resolution (BCR).

## **7.2 Purchase Orders**

**A purchase order is a legal agreement to purchase goods. When a purchase order is issued by the community and accepted by the seller the purchase order becomes a contract between the purchaser and the seller.**

- 7.2.1 All purchases must be made by purchase order duly signed by the proper authorities.
- 7.2.2 Purchase orders should indicate item(s) required and agreed upon price.
- 7.2.3 Purchase order should indicate program allocation code.
- 7.2.4 Directors must ensure that financial commitments are made within approved budgets.
- 7.2.5 All purchase orders require three (3) copies which are to be distributed to the following: Finance Department, Seller and Issuer.
- 7.2.6 Outstanding purchase orders must be reviewed regularly to verify either of the following; if goods were received, invoice missing, if goods are on backorder, cancellation of purchase order, etc.

- 7.2.7 Purchase orders are not required for fixed expenses such as telephone, electricity, subscriptions, registrations, cable, petty cash etc.
- 7.2.8 Purchases exceeding \$3,000.00 (three thousand dollars) require three (3) written quotations and Band Council approval.
- 7.2.9 Contract/Purchase splitting is strictly prohibited.
- 7.2.9 For security purposes all purchase order books must be numbered and kept under lock and key.
- 7.2.10 Each department will maintain used purchase order books in a secure area.

### 7.3 Cash Advances

**A cash advance is a short term unsecured loan. This advance is issued when purchase orders are not convenient to meet the needs of a specific project. The following steps are applied with regards to the issuance of cash advances.**

- 7.3.1 A cheque requisition duly authorized and indicating amount and purpose of the advance;
- 7.3.2 The individual must agree and sign Appendix 2 – Cash Advances;
- 7.3.3 No other advance may be issued to the same individual until such time the first advance has been reconciled;
- 7.3.4 Original receipts reconciling the advance must be completed within 21 days of cheque issuance;
- 7.3.5 All receipts must have the following information; vendor name, vendor address, business number, GST/PST if applicable, amount paid;
- 7.3.6 Advances may **NOT** be used to pay individuals for goods or services;
- 7.3.7 Failure to reconcile such advance within 21 days will result in a deduction of the **full amount** from any monies payable to the individual to whom the advance was issued;
- 7.3.8 All advances must be reconciled on the appropriate forms, see Finance for the most updated manual or electronic forms.

### 7.4 Invoices and Coding (Commercial and Individual)

**A commercial invoice is a document issued by the seller indicating the product, services, quantity and agreed upon price. The commercial invoice will show Company name, business number, GST/PST if applicable, goods and/or services sold. An individual invoice is a contractual agreement between an individual and Kitigan Zibi for the sale of goods and/or services. The Directors and the Finance department shall ensure that all transactions are properly classified so as to ensure the accuracy and integrity of its data and reports;**

- 7.4.1 All invoices should be originals and must be approved by an authorized signatory.
- 7.4.2 All invoices must have the project code clearly indicated prior to being sent to Finance.
- 7.4.3 Invoices may or may not have the expense code indicated prior to being sent to Finance. Invoices with the expense code must meet GAAP. Finance has the authority to correct expense codes if not meeting applicable standards. The Service Director will be provided with a notice to this effect.
- 7.4.4 Expense codes within the chart of accounts must meet GAAP, approval from the Comptroller is required to modify, add or delete expense codes.
- 7.4.5 Directors will be provided a list of expense codes within the chart of accounts by the finance department immediately following any updates.
- 7.4.6 A journal entry is required to correct any accounting errors made. Journal entries must be authorized in writing by the sector Director or Comptroller.
- 7.4.7 Prior to posting an invoice, finance employees must ensure that manual additions are mathematically correct, discounts are deducted, KZA tax exempt status, invoice has not been previously paid, invoice has been properly approved and spending authority limits have not been exceeded.

## **7.5 Contractor, Consultant or Employee**

**Certain factors have to be considered when determining if a worker is an employee or a self-employed individual. Use the guide below to determine whether the individual is a contractor, consultant or employee.**

- 7.5.1 All Contractors and Consultants must have a written contract, indicating scope of work to be completed, time frame, payment schedule, ownership/copyright etc.
- 7.5.2 Any Contract exceeding \$3,000.00 (three thousand dollars) must be sent out for three (3) written quotations. A minimum of two (2) bids may be accepted by Council providing a written explanation is provided for the lack of the third bid.
- 7.5.3 Contracts exceeding \$3,000.00 (three thousand dollars) must be approved by Band Council.
- 7.5.4 A copy of contract must be submitted to Finance before any payments can be released.
- 7.5.5 Contract splitting is strictly prohibited. Contract splitting is defined as a subdivision of a project or task into multiple phases/contracts to avoid exceeding the applicable limits. An example is awarding multiple contracts to the same contractor either simultaneously or at regular intervals where each contract could be interpreted as being individual phases of a larger project.



### *Indicators that the worker is an employee*

- The relationship is one of subordination. The payer will often direct, scrutinize, and effectively control many elements of how and when the work is performed.
- The payer controls the worker with respect to both the results of the work and the method used to do the work.
- The payer determines and controls the method and amount of pay.
- The worker requires permission to work for other payers while working for this payer.
- Where the schedule is irregular, priority on the worker's time is an indication of control over the worker.
- The payer determines what jobs the worker will do.
- The worker receives training or direction from the payer on how to do the work. The overall work environment between the worker and the payer is one of subordination.
- The payer chooses to listen to the worker's suggestions but has the final word.

### *Indicators that the worker is a self-employed individual*

- A self-employed individual usually works independently within a defined framework.
- The worker does not have anyone overseeing his or her activities.
- The worker is usually free to work when and for whom he or she chooses and may provide his or her services to different payers at the same time.
- The worker can accept or refuse work from the payer.
- The worker provides their own tools and equipment. Tools and equipment can vary widely in terms of value and can include everything from wrenches and hammers, to costumes, appliances, stethoscopes, musical instruments, computers, and vehicles such as trucks and tractors.
- The worker is required to pay all costs associated with the service rendered.
- The working relationship between the payer and the worker does **not** present a degree of continuity, loyalty, security, subordination, or integration, all of which are generally associated with an employer-employee relationship.

## **7.6 Cheque Requisitions - Payments - Cheques**

### **7.6.1 Cheque Requisitions**

7.6.1.1 All cheque requisitions must be signed by a Service Director or employee duly authorized.

7.6.1.2 Original invoices and/or other supporting documentation must be attached to the cheque requisition. For cash advances, appendix 2 must accompany the cheque requisition.

## 7.6.2 Payments

7.6.2.1 All expenditures shall be paid by cheque in Canadian currency. Cheques issued for US funds will take into account the daily exchange rate.

7.6.2.2 No payment shall be issued without proper supporting documentation.

7.6.2.3 All cheques must be signed by two (2) authorized signatories.

7.6.2.4 Authorized signatories must not sign cheques for immediate family members.

7.6.2.5 It is the responsibility of the signatories to ensure that all cheques are supported with the appropriate back-up documentation and the name, date and amount are accurate.

7.6.2.6 Post dated cheques may be issued only upon written approval of the Comptroller

## 7.6.3 Cheques

7.6.3.1 All blank cheques are to be kept secure within the Finance department.

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

7.6.3.3 All voided or cancelled cheques must be clearly marked "VOID" and kept on file.

7.6.3.4 Where a cheque is cancelled or lost after issuance to the Payee, the Finance department shall issue a stop payment at the bank following the appropriate procedures as directed by the bank. The finance department may take up to thirty (30) days to re-issue a lost, damaged, or stolen cheque. Uncashed and damaged cheques should be returned to finance whenever possible for replacement. Cancelled cheques must have the word "VOID" clearly indicated on the cheque when possible.

7.6.3.5 Financial institutions don't have to cash a cheque if it is considered "stale-dated"—that is, if it is too old. A cheque is usually considered stale-dated after six months, unless it has been certified. Even though financial institutions are not obliged to cash stale-dated cheques, they may still decide to do so. Stale-dated cheques remain as a liability to the community.

7.6.3.6 The Finance Manager shall review all stale-dated cheques. Steps should be taken to notify the Issuer of any cheque not cashed. The issuer will take steps to notify the payee of the outdated uncashed cheque.

7.6.3.7 Forged cheques will be automatically reported to the KZPD, Comptroller and Chief and Council for investigation.

## **7.7 Contracts - Loans**

A contract is an agreement entered into voluntarily by two or more parties, each of whom intends to create one or more legal obligations between them. The elements of a contract are the offer and acceptance by competent persons having legal capacity.

### **7.7.1 Service Contracts**

7.7.1.1 Except where otherwise determined in writing by quorum of Chief and Council, tenders (bids) for service contracts expected to exceed \$3,000.00 will be requested from at least three (3) firms or individuals.

7.7.1.2 Only quorum of Chief and Council may sign Service Contracts exceeding \$3,000.00 or Service Directors having the authority to sign as per a Band Council Resolution (BCR).

7.7.1.3 Certain factors have to be considered when determining if a worker is an employee or a self-employed individual. See section 7.5.

### **7.7.2 Purchase Contracts**

7.7.2.1 Except where otherwise determined in writing by quorum of Chief and Council, tenders (bids) for purchase contracts expected to exceed \$3,000.00 will be requested from at least three (3) firms or individuals.

7.7.2.2 Only quorum of Chief and Council may sign Purchase Contracts exceeding \$3,000.00 or Service Directors having the authority to sign as per a Band Council Resolution (BCR).

### **7.7.3 Loans**

7.7.3.1 CEDO loans are regulated through the CEDO policy.

7.7.3.2 Revolving Loans are to be utilized for the sole purpose of construction and/or repairs. Loans exceeding \$3,000.00 must be guaranteed via a transfer of home and property to KZA until said loan is paid in full at which time it will be returned as per agreement. All loans up to \$5,000.00 will be reimbursed within 36 months / 3 years, loans exceeding \$5,000.00 and less than \$10,000.00 will be reimbursed within 60 months, loans exceeding \$10,000 will be reimbursed within the maximum allotted time of 144 months / 12 years. The maximum loan for a new home is \$35,000 (thirty five thousand dollars) and \$30,000 (thirty thousand dollars) for repairs.

7.7.3.3 Income Assistance advances may be provided as per the terms and conditions of the Income Assistance policy.

7.7.3.4 No KZA funds will be used for the purposes of providing personal loans.

7.7.3.5 KZA reserves the right to withhold a minimum of 30% from payroll, reimbursements, social assistance or any amount payable if an individual has an accounts receivable for outstanding CEDO loans, revolving loans, Social Assistance loans or any other amount due that is in arrears as per the loan agreement.

7.7.3.6 KZA reserves the right to withhold 100% from any amount owed to KZA by a community member from any amount payable from community funds and/or settlements. Winter Living Allowances for Seniors and Funeral expenses are both derived from community funds and these two funds will be exempt.

## **7.8 Conflict of Interest**

Employees are expected to conduct themselves with personal integrity, honesty, neutrality, ethics and diligence in the performance of their duties. Employees are required to support and advance the interests of the employer and avoid placing themselves in situations where their personal interests could conflict with those of the employer.

A conflict of interest arises, generally when private interests or personal considerations may directly or indirectly affect an employee's judgment in acting in the best interests of the employer.

An employee failing to report actual or potential conflict of interest situations or who refuses to follow the instructions of management intended to resolve said situation will be subject to disciplinary action.

Service Directors can not enter into any kind of agreement which would be considered conflict of interest or is for immediate family members. All such agreements must be pre-signed by their portfolio holder or the finance portfolio holder.



# SECTION 8

## ACCOUNTING CONTROLS

**Accounting controls are methods and procedures that are implemented to help ensure the validity and accuracy of our own financial statements. The accounting controls do not ensure compliance with laws and regulations, but rather are designed to help a company comply to internal controls and policies.**

### 8.1 Petty Cash

- 8.1.1. Petty cash funds may be established for office disbursements where it is impractical to issue cheques. Examples may include payments for minor purchases having a value of less than \$20.00.
- 8.1.2 Petty cash can not be used to cash personal cheques or for personal loans to staff.
- 8.1.3 Petty cash funds will not exceed \$300.00
- 8.1.4 The Service Director will issue a cheque requisition in the name of the employee responsible for managing petty cash and to the proper account requiring petty cash disbursements
- 8.1.5 Petty cash expenditures must be reconciled and submitted to the Service Director for verification and approval. All accompanying receipts should be originals and signed by the purchaser. Receipts should identify each item purchased.
- 8.1.6 All receipts should be originals, signed by the purchaser, clearly identify each item purchased and have the project code indicated.
- 8.1.7 The employee responsible for petty cash accepts responsibility for all shortages. A Service Director may cover the shortage with a written report explaining the cause for the loss and is the result of a honest isolated error. A copy of the written report is to be provided to Band Council.

### 8.2 Cash Controls

- 8.2.1 An official KZA receipt must be issued for all cash received on behalf of KZA.
- 8.2.2 All cash received within the sectors must be delivered by hand within 5 business days to Finance with a copy of receipt and project code where the funds are to be recorded as revenues or reimbursements.

- 8.2.3 All cash funds must be kept under lock and key at all times.
- 8.2.4 The finance department will deposit cash into the KZA bank no less than once a week. Cheques of considerable value should be deposited immediately.
- 8.2.5 The finance department will not utilize cash received for deposits, for petty cash, for cash loans to employees or to change any kind of cheque.
- 8.2.6 Individuals who provide a NSF cheque will be charged a \$20.00 fee and will be prohibited from utilizing this mode of payment in the future.

### **8.3 Banking**

- 8.3.1. The Community Services Director/Financial Comptroller, through its finance sector, shall determine the specific provisions respecting the community's banking arrangements.
- 8.3.2. The banking arrangements shall be approved by the Chief and Council through Band Council Resolution.
- 8.3.3. The Community Services Director/Financial Comptroller shall assess the cost and quality of banking services relative to other banks not less than every five years.
- 8.3.4. The Kitigan Zibi Anishinabeg shall manage its cash economically and efficiently and shall seek to maximize the return on its funds.
- 8.3.5 A monthly bank reconciliation must be completed and reviewed by the Finance Supervisor. Any anomalies must be reported immediately to the comptroller.

### **8.4 Accounts Receivable**

- 8.4.1 Payments received as a result of an account receivable must be recorded daily.
- 8.4.2 The finance department must have a copy of all funding agreements to ensure that KZA receives all funds due to the community.
- 8.4.3 A copy of invoices for all sales of goods, rentals or services must be sent to Finance immediately. Invoices must include the name of purchaser, description of item, quantity, unit cost, sale of services, hours, work performed and total sale. Invoice must also include project code to ensure proper allocation within the finance department.
- 8.4.4 KZA reserves the right to withhold a minimum of 30% from payroll, reimbursements, social assistance or any amount payable if an individual has an accounts receivable for outstanding CEDO loans, revolving loans, education debts, sales of goods and/or services, equipment rentals etc., that is in arrears. If an individual has more than one outstanding debt, the 30% withheld will be equally divided amongst the loans due.

- 8.4.5 KZA shall reserve the right to withhold an amount equivalent to one months rent or 30% whichever is greater from social assistance payments. Agreements may be signed by the tenant to withhold additional funds to cover rent arrears.
- 8.4.6 KZA shall reserve the right to withhold 100% from any amount payable to a community member if the amount payable derives from community funds and/or settlements. Winter Living Allowances for Seniors and Funeral expenses are both derived from community funds and these two funds will be exempt.
- 8.4.7 Finance must provide a quarterly report to all Directors of all monies owed to KZA by community members.
- 8.4.8 A Service Director may recommend to Band Council the hiring of a collections officer or a collection agency to deal with accounts receivable over 36 months/3 years or on a as-needed basis.

## **8.5 Capital Assets and depreciation**

- 8.5.1 Capital assets include land, buildings, furnishings, equipment and vehicles. KZA records all assets, valued at \$3,000 or more, with a 2-year life expectancy or more, in its fixed asset system.
- 8.5.2 The cost of a capital asset may include, design fees, delivery and installation fees, related equipment (computer and mouse or vehicle with towing capabilities), renovations that increase the value of an existing building etc.
- 8.5.3 Finance must provide a copy of the invoice for all capital asset purchases to the inventory clerk within the appropriate sector for inclusion to the inventory database and for inclusion for capital assets insurance purposes.
- 8.5.4 Inventory of all capital assets must be completed by each service sector annually.
- 8.5.5 Disposal of capital assets occurs when an item becomes worthless, obsolete or is no longer of valuable use or is stolen.
- 8.5.6 Capital assets may be sold when they no longer provide a useful value to KZA or upon direction from Chief and Council. Disposal of assets should be made available to registered community members first. A memo shall be sent to Band Council prior to a pending sale of assets.
- 8.5.7 The inventory clerk must be informed when capital assets have been disposed of, sold or stolen to ensure that these items are removed from the database and to update the insurance company.

## **8.6 Accounts Payable**

- 8.6.1 Accounts payables are a liability of the Band to a supplier and must be recorded daily.

- 8.6.2 To ensure goods are received all invoices must be matched to a purchase order and packing slip. Verification must be completed to ensure that all items have been ordered and received as per the purchase order, packing slip and invoice. See Section 7.4 Invoices and Coding.

## **8.7 Other Liabilities**

- 8.7.1 Other liabilities include notes payable, salaries payable, vacation payable, sick leave, overtime payable, outstanding lawsuits, tort judgments and/or settlements.
- 8.7.2 Long Term Liabilities are the result of accounts payables that have a repayment period exceeding one fiscal year. Long term liabilities are generally notes payable, mortgages payable and loans. Long term liabilities are split on the Balance Sheet between current liabilities and long term liabilities. The portion of a long term liabilities that must be paid within the fiscal year must be recorded under current liabilities while the balance must be recorded as a long term liability.
- 8.7.3 Any liability in relation to KZA employees must be balanced with the Human Resource department annually and recorded in the financial statements.

## **8.8 General Journal**

- 8.8.1 The journal entry is used as a supporting document for recording transactions that are not processed to the general ledger directly from accounts receivable or accounts payable within the financial software program.
- 8.8.2 All journal entries must be approved in writing by the Service Director responsible for the programs and services affected or by the Comptroller.
- 8.8.3 General Journal entries are limited to non-routine or adjusting entries.



# SECTION 9

## ACCOUNTING DATA MANAGEMENT

An accounting information system is a software used to collect, store and process financial and accounting data that is used by decision makers. An accounting information system is generally a computer-based method for tracking accounting activity in conjunction with information technology resources. The resulting statistical reports can be used internally by management or externally by other interested parties including government and community members.

### 9.1 Accounting System

- 9.1.1 The Finance Supervisor and Comptroller shall ensure a proper financial accounting software is used as a tool to track and store accounting information data.
- 9.1.2 Accounting Software should be developed/purchased in the working language of the Service Sectors which is English.
- 9.1.3 The community financial information database shall support business and financial reporting requirements and will include controls to ensure that the information is complete, accurate and balanced.
- 9.1.4 The accounting software must be able to ensure different user controls for financial accessibility.
- 9.1.5 The accounting software must be able to be programmed to meet the specific needs of KZA. Any modification must be approved by the Comptroller.
- 9.1.6 All financial data must be backed up daily.

### 9.2 Security - Finance and Financial Data

- 9.2.1 All financial data and information containing business transactions must be kept in separate files in locked filing cabinets.
- 9.2.2 Financial files have restricted access by anyone and requires the authorization of the Community Services Director/Financial Comptroller.
- 9.2.3 Access to the finance office is restricted to finance employees, the Service Directors and those authorized to be present in the area where cheques are issued.
- 9.2.4 Financial files shall not be removed from the finance sector.

- 9.2.5 All original receipts and proof of purchases, contracts, work orders and invoices must be maintained in the finance files.
- 9.2.6 All files pertaining to the current financial year must be kept in the finance office and all outdated files must be sent to archives.
- 9.2.7 All files pertaining to outstanding accounts must remain in the active files.
- 9.2.8 In accordance to the Privacy Laws, all information that is considered personal should have restricted access and cannot be released or shared with third parties without a legal document requiring them to do so.
- 9.2.9 Access to personal financial files is limited to the Comptroller, Finance Supervisor and employees within the Finance Department.
- 9.2.10 Proper maintenance of computer software and equipment used as backup of financial data should be done periodically.
- 9.2.11 A digital and paper copy of the general ledger should be prepared annually and archived.
- 9.2.12 All financial records will be kept in archives as per the Canadian Income Tax Regulations, Books and Records Retention/Destruction.

# SECTION 10

## AUDIT

**Auditing is defined as a systematic and independent examination of data, statements, records, operations and performances (financial or otherwise) of an enterprise for a stated purpose. In any auditing the auditor perceives and recognizes the propositions before him for examination, collects evidence, evaluates the same and on this basis formulates his judgment which is communicated through his audit report.**

### 10.1 Audit Tender

- 9.1.1 At least three (3) financial auditors will be invited in writing to tender on conducting a comprehensive audit,
- 9.1.2 The tender must be for a period not exceeding 5 years.

### 10.2 Audit Preparation

- 10.2.1 The Service Directors must regularly review their financial reports for any irregularities
- 10.2.2 The Service Directors must inform the Finance Supervisor of any adjustments on a monthly basis
- 10.2.3 All final year-end adjusting entries must be completed no later than May 15<sup>th</sup> of each fiscal year
- 10.2.4 The Finance Supervisor is responsible to ensure that the following records are balanced, completed, and are accessible and ready for the Auditors:
  - Applicable Policies and BCR's
  - Bank reconciliations and cancelled cheques
  - Funding Agreements, Contracts, Finance Documents
  - Tax Reports
  - General Ledgers
  - Trial Balance
  - Financial Statements

### 10.3 Audited Financial Statements

- 10.3.1 The Auditors must be informed that the due date for the final draft financial statements cannot be later than July 15<sup>th</sup> of each fiscal year.
- 10.3.2 The auditors must present a copy of all adjustments for approval.
- 10.3.3 A final review must be completed no later than 5 business days after receiving the 1<sup>st</sup> draft.

- 10.3.4 The final audited financial statements must be received from the auditor no later than July 20<sup>th</sup> of each fiscal year. A minimum of 10 copies must be provided by the auditors as well as a PDF version of the final statements.
- 10.3.5 The audit report for the Kitigan Zibi Anishinabeg's Financial year must be completed no later than 110 days (July 19th) after the end of the fiscal year.

# APPENDIX 1

## *Delegation of Signing and Purchasing Authority Kitigan Zibi Anishinabeg*

Name of Employee: \_\_\_\_\_

Position: \_\_\_\_\_

Date Issued: \_\_\_\_\_

Date Expired: \_\_\_\_\_

AUTHORITIES GIVEN:      Restrictions/Limits

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Spending Authority/Purchase Orders Limit      \$ \_\_\_\_\_

CEDO Loans      \$ \_\_\_\_\_

Revolving Loans      \$ \_\_\_\_\_

CHIEF & COUNCIL AUTHORIZATION:

Councillor \_\_\_\_\_

Councillor \_\_\_\_\_

Councillor \_\_\_\_\_

Councillor \_\_\_\_\_

Councillor \_\_\_\_\_

Councillor \_\_\_\_\_

Chief \_\_\_\_\_

Date \_\_\_\_\_

## APPENDIX 2

### *Cash Advances from Kitigan Zibi Anishinabeg*

I hereby accept complete responsibility for the cash advance issued in my name and agree to abide by the regulations regarding cash advances below.

Name: \_\_\_\_\_

Purpose of Cash Advance:

\_\_\_\_\_  
\_\_\_\_\_

Project Code: \_\_\_\_\_

### Cash Advances

**A cash advance is a short term unsecured loan. This advance is issued when purchase orders are not convenient to meet the needs of a specific project.**

A cheque requisition duly authorized and indicating amount and purpose of the advance;

No other advance may be issued to the same individual until such time the first advance has been reconciled;

Original receipts reconciling the advance must be completed within 21 days of cheque issuance;.

All receipts must have the following information; vendor name, vendor address, business number, GST/PST if applicable, amount paid;

Advances may **not** be used to pay individuals for goods or services;

Failure to reconcile advance within 21 days will result in a deduction of the **full amount** from any monies payable to the individual to whom the advance was issued.

All advances must be reconciled on the appropriate forms. (see Finance for the most updated manual or electronic forms)

\_\_\_\_\_  
Applicant/s Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Approved by:

\_\_\_\_\_  
Date