

Finance and Audit Committee (FAC) Established

1. The FAC is established under the terms of the Kómoks First Nation's (KFN) Financial Administration Law (FAL).
 - a. The mandate of the FAC is to assist Council, through the provision of advice and recommendations, in carrying its oversight responsibilities for financial administration of the KFN.

Purpose

2. This Policy sets out the terms of reference for the FAC regarding appointment and removal of members, length of term, responsibilities, and procedures.

Scope

3. The terms of reference applies to the KFN Council, the FAC, the senior manager and the senior financial officer (SFO).

Appointment and Removal of FAC Members

4. The Council must establish the FAC consisting of not less than three (3) members. Where the FAC consists of three (3) members, one (1) of the members must be a KFN Councillor. Where the FAC is composed of four (4) or more members, two (2) of the members must be Councillors at minimum.
 - a. Upon recommendation of the FAC Chair, Council will appoint the members of the Committee, a majority of whom must have financial competency and all of whom must have independence and meet eligibility criteria established by Council (See Appendix A for a description of financial competency and independence as prescribed by the FAL).
 - b. Council must establish procedures or give directions requiring confirmation, before appointment, that each potential member of the FAC is eligible to be a member and is independent and that each FAC member annually signs a statement confirming that s/he is independent.

- c. A member of the FAC may only be removed by a Council motion in accordance with the FAL. The Chair must provide the member with reasonable notice, including reasons for recommending removal and an opportunity to respond.

As prescribed under Section 8 of the FAL, a member of the Committee may be removed from the FAC by Council if s/he:

- a. has unexcused absences from three (3) Committee meetings
- b. breaches KFN's FAL
- c. is convicted of theft, fraud, breach of trust, or an offence that would bring the FAC into disrepute
- d. terminates or is terminated from his or her Council position with the KFN

DISCUSSION: Provisions from 'a- c 'are taken from KFN's FAL. Note that it is silent about the position of a Councillor on the Committee who terminates his or her role with Council. KFN might want to add that a member may be removed is s/he is terminated or terminates from his or her position with the KFN.

- 5. If a member of the FAC is removed, resigns or dies before his or her term of appointment expires, the Council must as soon as reasonably possible appoint a new FAC member for the remainder of that member's term.

Member Term

- 6. Members of the FAC serve staggered terms as follows:
 - a. Non-Councillor members shall serve a term of three (3) complete fiscal years, and
 - b. Councillor members are appointed to the FAC following their election to the KFN Council, and shall serve to the end of their Council term.
 - c. Each member of the FAC must sign the Oath of Confidentiality and the Code of Conduct Declaration attached as Appendices B and C. The Oath and Code of Conduct Declaration must be signed upon appointment and annually thereafter.
 - d. The senior manager must maintain a register of FAC members which, for each member, include the date of appointment or re-appointment, a copy of the signed Oath of Confidentiality and Code of Conduct, the term of the membership, and the term end date.

DISCUSSION: The KFN FAL states that FAC members must be appointed to hold office for staggered terms of not less than two (2) complete fiscal years. As Council members sit for 2 years, this draft is a 3 year term for non-Council members which would alleviate a potential for a whole Committee 'turn over' every 2 years.

Chair and Vice-chair

7. The Council must appoint a Chair and a Vice-Chair, one (1) of whom must be a Councillor. If the Council appoints a non-Councillor as Chair:
 - a. Notices and agendas of all Council meetings must be sent to the Chair by Council at least five (5) work days in advance of a meeting;
 - b. Council must provide the Chair, as s/he may request, with any materials or information provided to the Council with regard to matters before it; the Chair may attend and speak at Council meetings.
 - c. The Chair must:
 - Call and chair FAC meetings;
 - Plan FAC activities to ensure that the Committee is successful in fulfilling its mandate and responsibilities;
 - Prepare FAC meeting agendas;
 - Ensure the completion of accurate minutes after each FAC meeting, including records of attendance, key issues, voting records and decisions taken;
 - Recommend FAC member appointments and removals to the Council; and
 - Report to the Council.

Responsibilities of Senior Staff – Manager and Finance Officer

8. The senior manager is responsible for:
 - a. Maintenance of the FAC member list;
 - b. Keeping the Chair and FAC, as whole, current on major developments and provide them with sufficient information in order to allow informed discussion of potential issues, recommendations, and activities to meet the FAC's mandate;
 - c. Assistance to the Chair in planning and making necessary arrangements for setting agendas, giving required meeting notices and holding meetings;

- d. Attending each FAC meeting, unless excused by the Chair for a reasonable reason or excluded from attendance by vote of the Committee as provided in the FAL.

9. The senior financial officer is responsible for:

- a. Attending each Committee meeting, unless excused by the Chair for a reasonable reason or excluded from attendance by vote of the Committee as provided in the FAL;
- b. Providing technical and professional support to the FAC as requested or as required in the FAL.

10. Committee Members are responsible for:

- a. Keeping informed for each meeting by reading prepared reports and background materials.
- b. Actively participating in the Committee's deliberations and attending scheduled FAC meetings.
- c. Performing activities with direct and open communications with other FAC members, administration, and other advisors as appropriate.
- d. Ensuring continued independence as required in the FAL.
- e. Avoiding conflicts of interests and complying with conflict of interest policies and procedures established by Council and described in the FAL.

Meetings

11. The FAC will meet not less than quarterly every fiscal year and immediately following completion of the annual audit.

- a. The FAC will establish a meeting schedule that is reflective of the amount of work it has, the Committee budget (if applicable) and the timeframes within which the work needs to be completed.

- b. Committee members are expected to attend each meeting, in-person or via tele/video-conference.
- c. Subject to the FAL and any directions by Council, the FAC may make rules or guidelines for the conduct of its meetings.
- d. The senior manager and SFO must be notified of all meetings and, subject to reasonable exceptions, must attend the meetings.
- e. The senior manager or the SFO may be excluded from all or any part of a FAC meeting by a recorded vote if
 - the subject relates to a confidential personnel matter regarding the senior manager or the SFO; or
 - it is a meeting with the auditor.
- f. KFN’s auditor must receive notices of all Committee meetings and may attend and be heard at such meetings.
- g. The Committee Chair must provide minutes, and report to Council on the substance of each meeting, as soon as practicable following Committee meetings.
- h. The FAC may retain a consultant to assist in carrying out any of its responsibilities after consultation with the senior manager.

Quorum

- 12. The quorum for the FAC constitutes two-thirds (2/3) of the total number of members, including at least one (1) Councillor.

Voting Rules

- 13. Every Committee member has one (1) vote in all Committee decisions, unless s/he is not permitted to participate in and vote on a motion because of a conflict of interest. The Chair may cast a second tie-breaking vote in the event of a tie vote.

Conflict of Interest

- 14. FAC members must comply with the Conflict of Interest Policy as reinforced in the FAC Code of Conduct Declaration (See Appendix C). The Declaration must be signed annually.

Responsibilities of the FAC

15. Required Duties/Responsibilities of the FAC as prescribed in sections 15 and 16 of the FAL:

Financial Planning	Audit
<p>The development of yearly short, medium and long term: (i) strategic plans, projections and priorities, (ii) business plans, projections and priorities, (iii) financial plans, projections and priorities;</p> <p>To be provided to Council for approval.</p>	<p>Provision of recommendations to the Council on the selection, engagement and performance of an auditor.</p>
<p>On or before February 15 annually, the FAC must review and recommend to Council for approval: a draft annual budget and a draft multi-year financial plan.</p>	<p>Receive assurances on the independence of a proposed or appointed auditor.</p>
<p>Monitor financial performance of KFN against the budget and reporting any significant variations to the Council on an ongoing basis.</p>	<p>Review of the planning, conduct and results of audit activities and making recommendations to the Council on these matters.</p>
<p>Review and recommendation of the quarterly financial statements for Council approval.</p>	<p>Review of the audited annual financial statements, including the audited local revenue account financial statements and any special purpose reports and make recommendations to Council.</p>
<p>On or before June 30 yearly, review of the draft amendment of the annual budget respecting KFN's local revenue account and recommend an amendment to the annual budget to the Council for approval</p>	<p>Periodical review of policies, procedures and directions on reimbursable expenses and benefits of KFN Councillors, officers and employees and make recommendations to Council.</p>
<p>The FAC may make a report or recommendations to Council on any matter regarding the financial administration of KFN that is not otherwise specified to be its responsibility under the FAL.</p>	<p>Monitor financial reporting and fraud risks and the effectiveness of mitigating controls for those risks taking into consideration the cost of implementing those controls.</p>
	<p>Review of the FAL under section 95 and, where appropriate, recommend amendments to the Council.</p>
	<p>Periodical review and recommendations to Council on the terms of reference of the FAC</p>

Council Assigned Responsibilities

16. The Council may assign the following activities to the FAC in order to carry out its oversight responsibilities regarding the financial administration of KFN:

- a. Review and reporting to the Council on the financial content of any KFN reports.
- b. Review, monitor and report to the Council on the appropriateness of KFN's accounting and financial reporting systems, policies and practices.
- c. Review and recommend to the Council for approval, any proposed significant changes in KFN's accounting or financial reporting systems, policies, procedures or directions.
- d. Monitor the collection and receipt of KFN's financial assets, including debts owed to KFN.
- e. Review and report to the Council on KFN's risk management policies and control and information systems and, where appropriate, recommend improvements to the Council.
- f. Review the adequacy of security of information, information systems and recovery plans and, where appropriate, recommend improvements to the Council
- g. Monitor compliance with the legal obligations of KFN, including legislative, regulatory and contractual obligations, and report to the Council.
- h. Review and report to the Council on financial administration personnel and resources, specifically in relation to adequateness to meet the needs of KFN.
- i. Review, monitor and report to the Council on the adequacy and appropriateness of KFN's insurance coverage respecting significant KFN risks.
- j. Review, monitor and report to the Council on material litigation and its impact on financial administration and reporting.

Appendix A

Appointment and Selection Criteria: FAC Members

Eligible Members – Financial Competency and Independence

1. A majority of the FAC must have financial competency and all members must be independent.
 - a. Financial competency under the FAL means the “ability to read and understand financial statements that present accounting issues reasonably expected to be raised by KFN’s financial statements”. For greater clarity, whether or not an individual is financially competent includes his or her ability to:
 - read, understand and analyze KFN’s annual financial statements and the notes to the financial statements;
 - understand accounting policies, including any estimates used or judgments applied by management in the application of the KFN’s accounting policies, when these are explained by the KFN’s Senior Financial Officer and the auditor;
 - understand KFN objectives and operations that may impact the selection or application of accounting policies and
 - understand the KFN’s risk environment

DISCUSSION: The financial competency criteria above are taken from a sample policy provided by the First Nations Financial Management Board - <http://www.fnfmb.com/home/>. The criteria are complex and may make it difficult to recruit FAC members. At the same time, the tasks before the FAC do require a certain level of financial competency.

The Tsleil-Waututh Nation states that “The SFO may establish a list of specific programs, courses or workshops which, in his or her opinion, provides adequate training for participants to meet the standards of financial competency”. Further, “A member of the Finance Committee who wishes to be designated as financially competent must

- provide written confirmation to the chief financial officer that s/he is a member in good standing of a professional accounting or auditing association;
- have a degree or certificate from an accredited post-secondary institution in finance, economics or business or related field; or
- have successfully completed a workshop, course or program designated by SFO

- b. Under the FAL, an individual is independent if s/he “does not have a direct or indirect financial relationship with KFN government that could, in the opinion of the Council, reasonably interfere with the exercise of independent judgment as a member of the FAC”; and s/he “does not have a financial relationship with KFN government as a result of the individual’s receipt of the following from KFN:
- remuneration for acting in their capacity as a Councillor or as a member of any KFN committee,
 - fixed retirement compensation,
 - payments or benefits paid in common to all KFN members,
 - payments or benefits paid under a program or service universally accessible to KFN members on published terms and conditions, or
 - payments or benefits paid from a trust arrangement according to the terms of the trust”.

Ineligible Individuals for FAC membership:

2. The following individuals are not eligible for FAC membership under the FAL:
- a. an individual who is a KFN employee;
 - b. an individual who has an immediate family member who is a Councillor or an officer of KFN (“immediate family member” means that individual’s parents, spouse, siblings, children, and children of their spouse);
 - c. an individual who provides consulting, advisory or other services to KFN or its related bodies as a contractor;
 - d. an individual who has a dependent who provides consulting, advisory or other services to KFN or its related bodies as a contractor;
 - e. an individual who is a partner, owner or officer of an entity which provides accounting, consulting, legal or financial services to KFN or its related bodies; or
 - f. an individual who fails to complete a criminal record check and/or has a criminal record for the same reasons for removing a FAC member. Specifically, a person is ineligible for FAC membership if s/he has been convicted of theft, fraud, breach of trust, or an offence that would bring the FAC into disrepute.

Exemptions to Ineligibility Criteria

3. Council may establish a policy that permits an exemption of an individual from the ineligibility criteria under the following circumstances:
- a. an exemption may be given on one (1) occasion only for a particular individual and the term of appointment must not exceed three (3) consecutive years; and
 - b. Council, in temporary and exceptional circumstances determines in its reasonable opinion that
 - the individual is able to exercise the independent judgment necessary to fulfill his or her responsibilities as a member of the FAC regardless of the individual's relationship with KFN, and
 - the appointment of the individual to the FAC is considered to be in the best interests of KFN and its members.

DISCUSSION – The FAL is silent about the importance of criminal record checks. Tla'amin Nation, for example, has this as a requirement for eligibility to their FAC.

If KFN is removing FAC members for fraud or a related conviction, it would make sense that they are not eligible for appointment for such past offences which is known by a criminal record check.

Appendix B

Finance and Audit Committee Oath of Confidentiality

I, _____, as a member of the Finance and Audit Committee, I understand and acknowledge that:

- 1) I may come into contact with sensitive and confidential information regarding the K'ómoks First Nation (KFN) and its Members, clients, businesses, or organizations. Information includes all types of information including but not limited to: notes, verbal communication, email, documents, or other technological means and regardless of whether or not it is specifically marked or indicated as confidential.
- 2) I must comply with KFN's Financial Administration Law, any other applicable KFN law and standards and with all policies, procedures and directions of the Council. I must keep confidential all information that I receive while exercising my duties unless the information is generally available
 - i. to members of the public; or
 - ii. to KFN members.
- 3) I must only use any confidential information for the specific purposes for which it was provided to me;
- 4) I must not make use of any information received in the course of my duties to benefit my private interests or those of relatives, friends or associates; and
- 5) My appointment to, and continued participation with, the Finance and Audit Committee is dependent on my signing, and abiding by, this Oath of Confidentiality. I may be removed from the Committee if I contravene this Oath of Confidentiality. I understand KFN may use any legal means available to it to remedy the situation.

Print Name

Signature:

Date:

APPENDIX C– CODE OF CONDUCT DECLARATION

I hereby confirm that I have read and understand the Conduct and Conflict of Interest Expectations set out in the K'ómoks First Nation's (KFN) Financial Administration Law (FAL) and the Schedule – Avoiding and Mitigating Conflicts of Interest and agree to comply fully with them. I agree to review and affirm the Code of Conduct every year that I am a member of the Finance and Audit Committee (FAC).

I agree that I will adhere to the following principles and responsibilities governing my professional and ethical conduct to the best of my knowledge and ability:

- 1) I will act with honesty, good faith and in the best interest of the KFN.
- 2) I will avoid any real, potential, or apparent conflicts of interests.
- 3) I will uphold the principle of independence in carrying out the mandate of the FAC and not be influenced by partisan interest, fear or criticism.
- 4) I will respect and give fair consideration to diverse and opposing viewpoints including demonstration of respect for all fellow Committee members and staff.
- 5) I will ensure responsible use of and control over all KFN assets and resources entrusted to me.

Print Name

Signature:

Date: