



# K'ómoks First Nation

## Finance: Lending, Guarantees and Indemnities Policy

*The K'ómoks First Nation (KFN) Finance: Lending, Guarantees and Indemnities Policy has been developed to provide the First Nation with an effective and transparent process for the approval, collection and documentation of lending, loan guarantees and indemnities given by the K'ómoks First Nation as permitted in the Financial Administration Law.*

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## Definitions

<b>“Arrears”</b>	unpaid, overdue debt, or an unfulfilled obligation
<b>“Assign”</b>	transfer of duties or functions from one person to another where the former person (the assignor) retains responsibility for ensuring the activities are carried out.
<b>“Authorization and Delegation Table”</b>	a table approved by Council specifying the delegation and assignment authorities over decisions or activities related to the K’ómoks First Nation’s financial administration.
<b>“Cash”</b>	money, cheques, money orders, and equivalent forms of currency.
<b>“Cash Reserves”</b>	funds that a company keeps on-hand to meet short-term and emergency funding needs.
<b>“Chairperson”</b>	head of a meeting, department, committee, or board. The vice-chairperson acts as the head when the chairperson is not there.
<b>“Chief Administrative Officer”</b>	person who is responsible for leading the day-to-day administration or management of the K’ómoks First Nation and who reports directly to Council.
<b>“Committee”</b>	group of people appointed by Council for advising Council or conducting decision-making activities assigned by Council until or unless they are suspended or disbanded by Council.
<b>“Contract”</b>	legally binding agreement between two parties.
<b>“Control”</b>	policy, procedure, or process put in place to manage a K’ómoks First Nation government’s administration.
<b>“Council”</b>	elected or appointed official representatives of the K’ómoks First Nation that includes Chief, Councillors and the equivalent terminology used by the K’ómoks First Nation
<b>“Debt”</b>	something that is owed or due that can mature more than one year from the date of its creation or can mature and be renewed or extended for a period of time beyond the original renewal date.
<b>“Delegation”</b>	transfer of specific responsibilities from one person to another.

<b>“Director of Finance”</b>	person responsible for the day-to-day management of the K’ómoks First Nation’s finances and who reports to the Chief Administrative Officer.
<b>“Direct Supervisor”</b>	employee responsible for managing and overseeing the work and development of other staff.
<b>“Financial Statement”</b>	formal record of all funding and property of the K’ómoks First Nation within a specific period.
<b>“Fiscal Year”</b>	twelve-month period used for tax or accounting purposes.
<b>“Fraud”</b>	wrongful or criminal act that involves lying or holding back information; this is usually done for personal or financial gain.
<b>“GAAP”</b>	Canadian Generally Accepted Accounting Principles, the framework of accounting guidelines, rules and procedures.
<b>“Indemnity”</b>	security or protection against a loss or other financial commitment.
<b>“Information”</b>	knowledge received and any documented material regardless of source or format.
<b>“Integrated Planning and Budgeting”</b>	annual process of planning and budgeting activities across every level of the K’ómoks First Nation government that are linked, coordinated, and driven by the K’ómoks First Nation’s vision and strategic objectives.
<b>“Internal Assessment”</b>	review of an activity/process by an independent First Nation staff member (i.e. an individual not responsible for or involved in the activity) to determine the effectiveness of that specific activity or process.
<b>“Investment”</b>	an asset or item bought with the hope that it will gain value or provide income in the future.
<b>“Loan Guarantee”</b>	promise to pay all or a part of the principal and/or interest on a debt obligation in the event of default by the borrower.
<b>“Local Revenues”</b>	term used to describe property taxes under the <i>K’ómoks First Nations Fiscal Management Act</i> .
<b>“Long-Term Debt”</b>	any debt that exceeds a period of time beyond 12 months.

<b>“Materiality”</b>	financial amount that the First Nation government considers significant, typically large amounts; the materiality threshold is the minimum financial amount that a First Nation government considers significant.
<b>“Misconduct or Wrongdoing”</b>	breach of the K’ómoks First Nation’s Financial Administration Law including conflict of interest provisions, code of conduct, Council-approved policies and administrative procedures.
<b>“Officer”</b>	Chief Administrative Officer, Director of Finance, Tax Administrator or any other employee of the K’ómoks First Nation government designated by the Council as an Officer.
<b>“Privacy Protection”</b>	rules a K’ómoks First Nation government puts in place to collect, create, use, share/disclose, retain, protect and dispose of the Personal Information that it needs for its administration.
<b>“Record”</b>	information created, received, and maintained by the K’ómoks First Nation government for operational purposes or legal obligations. A record may be electronic, or hardcopy paper based.
<b>“Recordkeeping”</b>	how an organization creates, obtains, and manages records.
<b>“Rehabilitation”</b>	asset alteration, extension and renovation but does not include routine maintenance.
<b>“Requisition”</b>	purchase order used by the K’ómoks First Nation government when recording expenditures.
<b>“RFP”</b>	Request for Proposal, competitive process followed by the K’ómoks First Nation government to enter into a major service contract. RFPs lay out the K’ómoks First Nation government’s needs and conditions and leave it up to the potential contractors to present a proposal that shows their experience, skills and ability to carry out the contract within time and cost specifications
<b>“Risk”</b>	possibility of a loss or other negative event that could threaten the achievement of a First Nation government’s goals and objectives.
<b>“Special Committee”</b>	committee formed for a specific purpose and is dissolved when that purpose has been achieved.
<b>“Standing Committee”</b>	committee that has an ongoing purpose.

**“Tax Administrator”**

person responsible for managing the local revenues and local revenue account on a day-to-day basis, if the K’ómoks First Nation government is collecting local revenues.

**“Value for Money”**

best combination of price, quality, and benefits of a product or service

## **1.0 Policy Statement**

It is Council's policy to establish a process around lending, loan guarantees and indemnities that may include loans to members if Council has approved a lending program to members.

## **2.0 Purpose**

The purpose of this policy is to provide the First Nation with an effective and transparent process for the approval, collection and documentation of lending, loan guarantees and indemnities given by the K'ómoks First Nation as permitted in the Financial Administration Law.

## **3.0 Scope**

This policy applies to:

- a) A Councillor,
- b) a Finance and Audit Committee member,
- c) an employee of the K'ómoks First Nation,
- d) a K'ómoks First Nation member or entity in which the member has an interest,
- e) any other third party whether an individual or business entity including government business enterprises.

## **4.0 Responsibilities:**

### **4.1 Council**

is responsible for:

- a) approving and signing all lending, guarantees and indemnities within amounts specified in the Authorization and Delegation Table.
- b) ensuring that any lending program approved by Council is universally accessible, with published terms and conditions, and is transparent to all members.
- c) approving the application form templates, terms and conditions including interest rates (if applicable) to be applied to all members, any entity in which a member has an interest or any other party with respect to lending, guarantees and indemnities.
- d) approving the lending program status report of the Director of Finance and the Finance and Audit Committee.

#### **4.2 Finance and Audit Committee**

is responsible for:

- a) reviewing the lending program report made by the Director of Finance and making any recommendations to Council.
- b) monitoring the status of K'ómoks First Nation's lending, loan guarantees and indemnities and reporting to the Council.

#### **4.3 Chief Administrative Officer**

is responsible for:

- a) approving and signing all lending within amounts specified in the Authorization and Delegation Table.
- b) making sure the lending, loan guarantee and indemnity process is transparent by providing K'ómoks First Nation members access to the requirements, standard terms and conditions.
- c) monitoring the administration of any lending to members and any amendments.
- d) making sure the publication and distribution of the terms and conditions of lending programs to members is open and transparent.

#### **4.4 Director of Finance**

is responsible for:

- a) reporting to the Finance and Audit Committee, any risks associated with entering a new program of loans to be made to members, or entities in which members have an interest, and the costs of administering such a program.
- b) approving and signing all lending, guarantees and indemnities within amounts specified in the Authorization and Delegation Table.
- c) preparing loan, loan guarantee and indemnity agreement templates using the standard clauses approved by Council.
- d) making sure that lending allowances and write-offs (if any) are reported to the Finance and Audit Committee and accurately recorded and disclosed in the financial statements.
- e) making sure adequate supporting documentation is retained for all loans, loan guarantees and indemnities.
- f) on an annual basis, preparing a report for the Finance and Audit Committee setting out all payments made for loan guarantees and indemnities.
- g) on an annual basis, preparing a report for the Finance and Audit Committee setting out all loans, loans forgiven, and payments received.