



Effective Date: June 12, 2018

FINANCIAL MANAGEMENT SYSTEM IMPROVEMENT

Definitions

- The following definitions apply to this Policy:
 - Borrowing Member** - a First Nation that have been accepted as a borrowing member under the *Act* and has not ceased to be a borrowing member under the *Act*;
 - Financial Administration** - the management, supervision, control and direction of all matters relating to the financial affairs of Cowichan Tribes;
 - Financial Management** - the financial management system of Cowichan Tribes including its financial administration, financial performance and accountability;
 - Financial Management System Standards** - the financial management system standards developed for First Nations in Canada by the First Nations Financial Management Board under the *Act*;
 - First Nations Financial Management Board** - the financial management board responsible for establishing and monitoring financial management law, policy and standards amongst First Nations in Canada;
 - Internal Assessment (or Assessment)** - a review of an activity internal to Cowichan Tribes by an Assessor to determine the effectiveness and sufficiency of financial controls related to the specific activity and to identify improvements;
- Please refer to Cowichan Tribes' "Definitions Guide for Policies and Procedures" for the definitions of other terms used in this Policy and the associated procedures.

Policy Directive:

Cowichan Tribes shall review and assess its financial administration systems and financial laws on an ongoing basis, and identify and implement changes that will improve its financial management system.

Related Cowichan Teaching

"Do the best you can do, be the best you can be"

Applicable Legislation and Standards

- Cowichan Tribes' practices respecting the review of, and improvements to, its financial management system (FMS) must comply with applicable legislation, standards, and Cowichan Tribes' laws, policies and procedures, including:
 - The *First Nations Fiscal Management Act* (the *Act*);
 - First Nations Financial Management Boards (FNFMB) Standards; and
 - Cowichan Tribes First Nation Financial Administration Law (the FAL).



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Reason for Policy

4. The objectives of this Policy include:
 - i) Providing guidelines and a framework for the continual assessment, identification, management and implementation of improvements to Cowichan Tribes' financial management system;
 - ii) Ensuring that Cowichan Tribes takes a proactive and preventative approach to assessing and improving its financial management system;
 - iii) Improving the effectiveness, performance, accountability, and integrity of Cowichan Tribes and its financial management system; and
 - iv) Ensuring that Cowichan Tribes' practices respecting the assessment of its financial management system and implementation of improvements to this system comply with all applicable requirements.

Consequences of Non-Compliance with Policy

5. Potential consequences of non-compliance with this Policy include:
 - i) Lack of clarity and directions respecting a proactive approach for the review of Cowichan Tribes' financial management system, addressing any related issues, and implementing improvements;
 - ii) Risks to the effectiveness, performance, accountability and integrity of Cowichan Tribes' financial management system; and
 - iii) Breach of applicable legislation, standards, or Cowichan Tribes' laws, policies and procedures.

Policy Application

6. This Policy applies to or affects Cowichan Tribes':
 - i) Chief and Council;
 - ii) Finance and Audit Committee;
 - iii) General Manager, Comptroller, and other officers and department managers; and
 - iv) Any other employee or person(s) involved with the review, assessment, and betterment of Cowichan Tribes' financial management system.

Policy Requirements

General

7. Cowichan Tribes shall strive to ensure that its financial administration systems, laws, policies, procedures, directions, and controls are appropriately designed, operating effectively, and comply with all pertinent requirements.
8. Cowichan Tribes' financial management system shall be subject to continual improvements.



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9. To facilitate compliance with sections 7 and 8 above, Cowichan Tribes must continually:
 - i) Review and assess its financial administration systems, the FAL, and related policies and procedures, directions, and controls; and
 - ii) Identify, evaluate and implement cost-effective improvements to its financial management system.
10. At the start of each fiscal year, the Finance and Audit committee shall develop an assessment plan that establishes the financial management related activities of Cowichan Tribes to be assessed in that fiscal year.
11. The Finance and Audit Committee, and individuals responsible for Cowichan Tribes' financial management system, shall meet at least annually to review and assess the system to identify related improvements and make recommendations for financial management system improvements.
12. The review and assessment of Cowichan Tribes' financial management system shall be carried out by qualified and independent Assessors, and each assessment shall be documented and reported.
13. All issues or concerns identified through the internal assessments must be recorded and significant issues shall be resolved, subject to the resolution being cost-effective.
14. Any gaps or areas of non-compliance between Cowichan Tribes' financial management system and practices *and* FNFMB Standards shall be promptly identified and assessed, and corrected as soon as possible.
15. To support continual improvements to the financial management system, the Comptroller shall ensure that any related concerns or issues identified by, or brought to the attention of, the Comptroller are effectively documented, resolved and reported.
16. Cowichan Tribes shall:
 - i) Review the FAL on an annual basis; and
 - ii) Identify any opportunities for amendments to the FAL that will improve Cowichan Tribes' financial management system.
17. Any proposed amendments to the FAL require the prior written approval of Council before the amended FAL can be enacted.
18. Proper records must be kept and maintained regarding the review of and improvements to Cowichan Tribes' financial management system, in accordance with applicable records management requirements.



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Procedures: Financial Management System Improvements

Roles and Responsibilities

19. The responsibilities of Council include:
 - i) Ensuring Cowichan Tribes' financial administrations systems and the FAL are reviewed and assessed on an ongoing basis and improvements to its financial management system are identified and evaluated for effectiveness;
 - ii) Ensuring Cowichan Tribes takes measures as soon as practicable to rectify any gaps or areas of non-compliance between its financial management system and practices *and* FNFMB Standards; and
 - iii) Reviewing and, if appropriate, approving the implementation of betterments to Cowichan Tribes' financial administration systems and the FAL.
20. The responsibilities of the Finance and Audit Committee include:
 - i) Conducting a review of the FAL and, where appropriate, recommending to Council changes to the FAL that will improve the financial management of Cowichan Tribes;
 - ii) Planning, scheduling, and conducting assessments of Cowichan Tribes' financial management system;
 - iii) Ensuring significant issues or concerns identified through the internal assessment process are resolved;
 - iv) Monitoring Cowichan Tribes' financial management system and ensuring that any areas of non-compliance with the *Act*, FNFMB Standards, and Cowichan Tribes' laws are promptly identified and rectified; and
 - v) Reporting to Council, and the internal or external auditors, on the results of their assessment and monitoring of the financial management system, and on any actions taken to resolve issues or instances of non-compliance identified during their review.
21. The responsibilities of the Comptroller include:
 - i) Ensuring Cowichan Tribes' financial administration systems, policies, procedures, directions and internal controls are appropriately designed and operating effectively;
 - ii) Actively monitoring compliance with the *Act*, FNFMB Standards, other applicable standards, the FAL, other applicable Cowichan Tribes' laws, any applicable agreements or funding arrangements, and Cowichan Tribes' policies, procedures and directions respecting its financial management; and
 - iii) Evaluating the financial administration systems of Cowichan Tribes, including its financial laws, policies, procedures and directions, and making recommendations to the Finance and Audit Committee for changes that will improve Cowichan Tribes' overall financial management system.



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22. The responsibilities of department managers include:
 - i) Assessing their area(s) of responsibility on an ongoing basis;
 - ii) Assisting with internal assessments of Cowichan Tribes' financial management system and related practices, as required;
 - iii) Identifying opportunities for improvements to their financial administrations systems and practices, and Cowichan Tribes' financial management system; and
 - iv) Reporting the opportunities discussed above in this section to the Comptroller.

Internal Assessment Plan and Reporting

23. At the beginning of each fiscal year, the Finance and Audit Committee shall prepare an assessment plan that identifies critical or significant activities which shall undergo an internal assessment in the current year. The criteria for identifying these issues are:
 - i) Risk - likelihood and potential adverse impact to Cowichan Tribes and its interests if the processes and controls in a specific area are not functioning properly; and
 - ii) Activities with previously identified problems - any areas that have been identified in past internal assessments with recurring issues shall be considered for review in the current year.
24. The assessment plan shall contain a schedule and timeframe for completion of each internal assessment identified.
25. The individual performing the internal assessment (the Assessor) must be:
 - i) Independent - the Assessor must not have any responsibility or involvement with the operations or activities being assessed; and
 - ii) Qualified to conduct the assessment.
26. The Assessor shall be assigned by the Finance and Audit Committee and can be an employee of Cowichan Tribes, subject to the prior verification and documentation of the Assessor's independence and qualifications.
27. The Assessor shall prepare a written report for each internal assessment performed that contain the Assessor's findings and resolutions of any significant or material concerns identified in the findings.
28. The Assessor's reports shall be issued to the Comptroller, General Manager, individuals responsible for the area or activities assessed, and the Finance and Audit Committee.

Annual Review and Assessment of Financial Management System

29. The Finance and Audit Committee, General Manager, Comptroller, Tax Administrator and other individuals responsible for the management and operation of Cowichan Tribes' financial management system shall meet at least once each fiscal year, on the date and time scheduled by the Finance and Audit Committee, for purposes of reviewing and assessing the effectiveness of the financial management system.



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30. During the meeting discussed above, the attendees shall review Cowichan Tribes' financial management system for the period of the previous four (4) quarters and up to the date of the meeting.
31. An agenda shall be developed for the above meeting which includes the review of:
 - i) The financial management system's processes and procedures;
 - ii) Applicable laws for compliance;
 - iii) External and internal assessment results;
 - iv) Identified process improvement opportunities including their resolutions;
 - v) The terms of references for all related committees; and
 - vi) Cowichan Tribes' organization chart.
32. The attendees of the meeting discussed in section 29 above shall prepare a report to be made available to Council, the Finance and Audit Committee and the external and internal auditors that includes the following:
 - i) A statement of whether the financial management system has, during the review period, been operated in compliance with all applicable legislation, standards and Cowichan Tribes' laws, policies, procedures and directions; and
 - ii) Recommendations for any changes to Cowichan Tribes' laws, policies, procedures and directions that, in the opinion of the meeting attendees, would be beneficial to the financial management system and are cost-effective in nature.

Continual Financial Management System Improvement Process

33. The Comptroller shall ensure that any concerns or issues regarding Cowichan Tribes' financial management system that are brought to the Comptroller's attention are collected, recorded and analyzed, and that any validated significant concerns or issues are tracked, managed, and resolved on an ongoing basis, including any confidential reporting respecting breaches of the FAL.
34. Based on the Comptroller's analysis of the concerns or issues discussed in the above section, the following steps shall be taken:
 - i) For items that relate to improvements in efficiency and/or effectiveness, the Comptroller shall consider the cost versus benefit (or cost-effectiveness) of implementing the changes and act accordingly;
 - ii) For any other issues, such as minor instances of non-compliance with Cowichan Tribes' policy, the Comptroller shall take the necessary steps to remediate and shall report the findings and actions taken to the General Manager; and
 - iii) All items shall be tracked and records maintained of all actions taken.
35. On a yearly basis, a report of the concerns or issues raised, actions taken, and any remaining potential process improvement opportunities shall be submitted by the Comptroller to the Finance and Audit Committee.



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36. In addition to the self-assessment process set out in this Policy and Procedures, if the Comptroller becomes aware at any time of any circumstances that could be considered a gap or area of non-compliance between Cowichan Tribes' financial management system and practices *and* FNFMB Standards, the Comptroller shall report these circumstances to the Finance and Audit Committee as soon as practicable along with the actions already taken and/or planned to be taken to remedy those circumstances.

Review of the FAL

37. Annually the Finance and Audit Committee must conduct a review of the FAL to:
- i) Determine if it facilitates effective and sound financial management for Cowichan Tribes;
 - ii) Ensure it complies with the *Act*, Cowichan Tribes' laws, applicable professional standards and FNFMB Standards; and
 - iii) Identify any amendments to the FAL that may better serve the above objectives.
38. The Finance and Audit Committee shall in a timely manner report to Council in writing on the results of its review of the FAL including any recommendations for amendments.
39. Any proposed amendments to the FAL must be reviewed by the FNFMB and issued a compliance approval under section 9 of the *Act* before the amendments can be implemented.
40. Given that Cowichan Tribes is a borrowing member, it may only repeal the FAL if it replaces it at the same time with another financial administration law which has been reviewed by the FNFMB and issued a compliance approval under section 9 of the *Act*.

Informing or Involving Members of Amendments to the FAL

41. Cowichan Tribes must provide information to its members respecting any proposed amendment to the FAL, or involve its members in consideration of an amendment to the FAL, in accordance with FNFMB Standards and the FAL, through one or more of the following methods, as warranted and practical:
- i) Cowichan Tribes' monthly newsletter;
 - ii) Cowichan Tribes' website;
 - iii) Social media (i.e., Facebook);
 - iv) Cowichan Tribes' annual report;
 - v) Mailed information;
 - vi) Information sessions;
 - vii) Community meetings;
 - viii) Surveys; and/or
 - ix) Formal Consultations.



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Records Management

42. Cowichan Tribes shall ensure that proper records are kept respecting the review of its financial management system and related improvements, and that these records are maintained in a secure and confidential manner, as per Cowichan Tribes' Financial Records Management Policy and Procedures, including records regarding:
- i) All reviews and assessments conducted by Cowichan Tribes of its financial management system and the related plans, reports, findings, and recommendations;
 - ii) Feedback on, or issues with, the financial management system brought to the attention of the Comptroller, Finance and Audit Committee, or General Manager;
 - iii) All improvements proposed and implemented to Cowichan Tribes' financial management system, and the related actions taken, including cases of and responses to non-compliance with FNFMB Standards and other pertinent requirements;
 - iv) Approvals from Council respecting betterments to the financial management system; and
 - v) Agenda and minutes from the meeting respecting the review of the financial management system.

Related Cowichan Tribes' Policies

- Financial Records Management Policy and Procedures;
- Reporting Breaches Policy and Procedures;