

External Audit Policy

Policy

A qualified external auditor will be appointed to render an audit opinion on the annual financial statements (and special purpose reports, as applicable) of Nipissing First Nation in accordance with generally accepted audit standards as established by the Canadian Institute of Chartered Accountants. Nipissing First Nation will appropriately prepare for the audit and ensure that the external auditor has the necessary access and authorities to complete their work.

Purpose

The purpose of this policy is to provide guidance on the appointment of an external auditor and the management of the annual audit process within Nipissing First Nation.

Scope

This policy applies to Council, the Finance and Audit Committee, the Chief Executive Officer and the Chief Financial Officer and those personnel providing service within the financial administrative system.

Definitions

“*Engagement letter*” is a written communication from the independent auditor outlining the terms and conditions of appointment and may include a letter to management (or post audit letter) reporting on audit findings.

“*GAAP*” means Generally Accepted Accounting Principles as established by the Canadian Institute of Chartered Accountants as modified or changed from time to time.

Responsibilities

Council is responsible for:

- Appointing (re-appointing) an auditor meeting eligibility requirements and documenting the appointment with a council resolution;
- Ensuring the engagement letter requires the auditor to confirm that the financial statements and the audit comply with the Board standards, any relevant funding agreement requirements and all applicable laws;
- Approving and reviewing periodically the policies and procedures related to the external auditor’s authority to receive the information and documents required to perform the audit function;
- Reviewing and approving the audited annual financial statement within 120 days after fiscal year end, and ensuring they are signed by those required in Nipissing First Nation’s

Financial Administration Law – Chief Financial Officer, Chief or Council Chairperson, and Chair of the Finance and Audit Committee;

- Acting on recommendations from the Finance and Audit Committee related to the audit;
- Ensuring Nipissing First Nation members' access to the audited financial statements and special purpose reports after they have been approved and signed as required in Nipissing First Nation's Financial Administration Law.

The Finance and Audit Committee is responsible for:

- Providing oversight on the external audit and advising the council as required;
- Making recommendations to Council on the selection, engagement and performance of an auditor;
- Receiving assurances on the independence of a proposed or appointed auditor;
- Ensuring that the appropriate action is taken with respect to any communication from the external auditors;
- Approving the terms and conditions of the appointment of the auditor as set out in the engagement letter and ensuring that it includes the auditor's obligation to confirm that the annual financial statements and the audit of them comply with Nipissing First Nation's Financial Administration Law, the FSMA and the First Nations Financial Management Board Standards and any relevant funding agreements;
- Reviewing the draft annual financial statement from the Chief financial officer and presenting the statements to council within [sixty days] following the end of the fiscal year for which they were prepared;
- Reviewing and making recommendations to council on the planning, conduct and results of audit activities;
- Reviewing and making recommendations to the Council on the audited annual financial statements, including the audited self generating revenue account financial statements and any special purpose reports.

The Chief Executive Officer is responsible for:

- Directing and facilitating any notices regarding meetings concerning the annual audit or audited financial statements;
- With the Chief Financial Officer, preparing the Auditor performance evaluation report.

The Chief Financial Officer is responsible for:

- Overseeing, supervising, directing and facilitating requests for any information required by the auditor to carry out its audit responsibilities;
- Preparing and providing to the Finance and Audit Committee within [forty-five] days of the fiscal year end the annual financial statements and special purpose reports for the fiscal year in accordance with GAAP and any funding agreements;

- Facilitating the flow of account and other information and acting on auditor’s requests during the audit;
- Ensuring the accounts are properly updated to reflect audit adjustments, the account balances are reconciled to the audit statements and schedules, and a proper year end closing of the accounts is completed;
- With the Chief Executive Officer, preparing the Auditor performance evaluation report.

Procedures

Auditor selection, engagement and performance

The Chief Executive Officer and the Chief Financial Officer will establish evaluation criteria to be included in a Request for Proposal (“RFP”) for the external audit which will be approved by the Finance and Audit Committee and include, at a minimum:

- Independence from Nipissing First Nation, its related bodies, Councillors and officers and members;
- In good standing with regulatory bodies (Canadian Institute of Chartered Accountants, Certified General Accountants Association of Canada, or the Society of Management Accountants of Canada) and their respective counterparts in the province or territory in which the firm or accountant is practicing;
- License to practice public accounting;
- Other considerations as appropriate (i.e. funding agreement requirements).

The Finance and Audit Committee will review and approve the RFP before it is made public.

The Finance and Audit Committee will review Management’s evaluation of the proposals and their recommendation. The Finance and Audit Committee may approve the recommendation or may ask for additional information, including an in-camera (i.e. without management) interview with the recommended Auditor.

Upon approval, the Finance and Audit Committee will recommend the engagement of the selected Auditor and the engagement letter to Council.

Council will review the engagement letter with the Auditor selected to ensure it contains the content required by Nipissing First Nation’s Financial Administration Law and any other applicable requirements, and will proceed to sign the engagement letter in accordance with Nipissing First Nation’s approved signing authorities and ensure that it is delivered to the Auditor.

Annually at the conclusion of the audit, the Chief Executive Officer and Chief Financial Officer will prepare a performance evaluation report of the Auditor’s activities, along with any Management recommendations, and present the report to the Finance and Audit Committee.

The Committee will review the Auditor performance evaluation and recommendations and take necessary steps as appropriate.

On a periodic basis, the Finance and Audit Committee and Council will review the engagement of the external auditor and determine whether an RFP should be initiated for a new auditor.

Termination / Dismissal of Auditor(s)

Council may terminate an Auditor agreement for:

- performance results;
- changes in auditing personnel, firm or ownership structure, philosophy, style or approach which might adversely affect the potential return and / or risk level; and
- failure to adhere to policy and procedures as set out in accordance with the Financial Administrative Law of Nipissing First Nation.

Auditor independence

The Finance and Audit Committee will ensure that Nipissing First Nation has received a letter from the Auditor, before the audit is finalized, in which the Auditor confirms their continued independence.

Audit planning

The Finance and Audit Committee will meet with the Auditor before commencement of the annual audit to review the proposed audit plan, to make any requests or to provide any feedback that the Auditor should consider when finalizing the plan and conducting the audit.

The Finance and Audit Committee will submit the finalized audit plan along with any recommendations, to Council for approval.

Preparations for the audit

The Chief Financial Officer will keep the auditor apprised and discuss in advance of the audit of any significant accounting issues, developments or changes for Nipissing First Nation that could have an impact on the audit and the audit report.

Prior to fiscal year end, the Chief Financial Officer will issue instructions to the finance and accounting staff concerning fiscal year end procedures to help ensure the accuracy and completeness of Nipissing First Nation's financial statements and disclosures.

Additionally, finance staff, under the direction of the Chief Financial Officer, will commence preparation before fiscal year end of necessary schedules and working papers for audit according to the audit work plan. This will also include preparation of third party confirmation letters, bank confirmations, and account balance reconciliations.

Issues arising or communicated in a mid-year review (if applicable) by the auditor will be discussed with the Finance and Audit Committee for recommended resolution. The instructions for preparation of Nipissing First Nation's financial statements will take into account any such resolutions.

The Finance and Audit Committee will be informed of any issues that could affect the audit (e.g. where the auditor believes a change in the terms of the engagement may be warranted).

Audited annual financial statements

The Finance and Audit Committee will receive and review the draft audited annual financial statements, including any special purpose reports and the Self generating revenue Account financial statements.

The Committee will satisfy itself that:

- The audit has been completed according to the plan;
- The financial statements are fairly presented according to GAAP;
- The auditors have provided an opinion on the financial statements and an opinion or review of any special purpose reports as required by Nipissing First Nation's Financial Administration Law;
- There are no significant unresolved issues.

The Committee will meet with the Auditor to review the draft audited financial statements. To ensure sound governance, the committee will meet with the auditor 'in camera' (without Nipissing First Nation Management team) for a part of the meeting.

When satisfied with its review of the draft audited financial statements and the resolution of any audit issues, the Finance and Audit Committee will recommend the draft audited financial statements to Council for approval.

Before publishing the audited financial statements, the following approvals are required:

- Approval of council through a band council resolution;
- Approval by signature from all of the following:
- The Chief of Nipissing First Nation;
- The Chairperson of the Finance and Audit Committee;

The Chief Financial Officer.