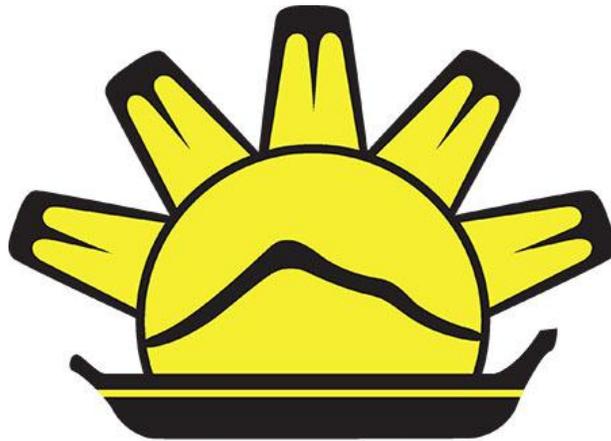


Statement of Policy and Procedure	
BCR #	2017-074
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Malahat Nation

External Audit Policy

Approved by Council on February 2, 2017



Malahat

1. Policy

A qualified and licensed external auditor will be appointed to render an audit opinion on the annual financial statements (and special purpose reports, as applicable) of Malahat Nation in accordance with Public Sector Accounting Standards as established by the Canadian Public Sector Accounting Board. Malahat Nation will appropriately prepare for the audit and ensure that the external auditor has the necessary access and authorities to complete their work.

2. 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 Malahat Nation.

3. Scope

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

4. Definitions

“engagement letter” is a written communication from the independent auditor outlining the terms and conditions of appointment.

“PSAS” means Public Sector Accounting Standards as established by the Canadian Public Sector Accounting Board as modified or changed from time to time.

5. Responsibilities

(1) Council is responsible for:

- (a) Appointing (re-appointing) an auditor meeting eligibility requirements and documenting the appointment with a council resolution ;
- (b) Ensuring the Engagement Letter requires the auditor to confirm that the financial statements and the audit comply with the First Nations Financial Management Board’s Standards, any relevant funding agreement requirements and all applicable laws;
- (c) Reviewing and approving the audited annual financial statement within 120 days after fiscal year end, and ensuring they are signed by those required in the Financial Administration Law – Director of Finance, Chief or Council Chairperson, and Chair of the Finance and Audit Committee;

- (d) Ensuring Malahat Nation members' access to the audited financial statements and special purpose reports after they have been approved and signed as required in the Financial Administration Law.

(2) The Finance and Audit Committee is responsible for:

- (a) Providing oversight on the external audit and advising the council as required;
- (b) Making recommendations to Council on the selection, engagement and performance of an auditor;
- (c) Assuring the independence of a proposed or appointed auditor;
- (d) 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 the Financial Administration Law, the *First Nations Fiscal Management Act* and the First Nations Financial Management Board's Standards and any relevant funding agreements;
- (e) Reviewing the draft annual financial statements from the Director of Finance and recommending the statements to council, with the auditor to present, following completion of the audit and the end of the fiscal year for which they were prepared;
- (f) Reviewing and making recommendations to council on the planning, conduct and results of audit activities; and
- (g) Reviewing and making recommendations to the Council on the audited annual financial statements, including the audited local revenue account financial statements and any special purpose reports.

(3) The Chief Executive Officer is responsible for:

- (a) Directing and facilitating any notices regarding meetings concerning the annual audit or audited financial statements; and
- (b) preparing the auditor's performance evaluation report with the input of the Director of Finance

(4) The Director of Finance is responsible for:

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

- (d) Providing feedback on the auditor's performance to the Chief Executive Officer.

6. Procedures

Auditor Selection, Engagement and Performance

- (1) The Chief Executive Officer and the Director of Finance will establish evaluation criteria for the external audit which will include:
 - (a) Independence from Malahat Nation, its related bodies, Councillors, Officers and members;
 - (b) In good standing with regulatory bodies (Chartered Professional Accountants of Canada, Canadian Institute of Chartered Accountants, Certified General Accountants Association of Canada, or the Society of Management Accountants of Canada) and/or their respective counterparts in the province or territory in which the firm or accountant is practising;
 - (c) License to practice public accounting;
- (2) Upon approval, the Finance and Audit Committee will recommend the engagement of the selected auditor and the engagement letter to Council.
- (3) Council will review the engagement letter with the auditor selected to ensure it contains the content required by the Financial Administration Law and any other applicable requirements, and will proceed to sign the Engagement Letter in accordance with Malahat Nation's approved signing authorities and ensure that it is delivered to the auditor.

Auditor Independence

- (1) The Finance and Audit Committee will ensure that Malahat Nation has received a letter from the auditor, before the audit is finalized, in which the auditor confirms their continued independence.

Audit Planning

- (1) The Finance and Audit Committee will view 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.
- (2) The Finance and Audit Committee will submit the finalized audit plan along with any recommendations, to Council for approval.

Audited Annual Financial Statements

- (1) The Finance and Audit Committee will receive and review the draft audited annual financial statements, including any special purpose reports and the Local Revenue Account financial statements.
- (2) The Committee will satisfy itself that:
 - (a) The audit has been completed according to the plan;
 - (b) The financial statements are fairly presented according to PSAS;
 - (c) The auditors have provided an opinion on the financial statements and an opinion over any special purpose reports as required by the First Nation's Financial Administration Law; and
 - (d) There are no significant unresolved issues.
- (3) The Committee will meet with the auditor to review the draft audited financial statements. 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.
- (4) Before publishing the audited financial statements, the following approvals are required:
 - (a) Approval of council through a council resolution;
 - (b) Approval by signature from all of the following:
 - i. The Chief or the Chairperson of the Council of Malahat Nation;
 - ii. The Chairperson of the Finance and Audit Committee;
 - iii. The Director of Finance.

7. References and Related Authorities

- (1) FMB's Financial Management System Standards
 - (a) Standard 21.0 Audits
- (2) FMB's Financial Administration Law Standards
 - (a) Standard 10.5.2 Audit Functions
 - (b) Standard 19.0 Audits

8. Attachments

None