

Financial Administration Issues	Policy	F6
	Effective Date	April 2002
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What is the policy?

This policy applies to all communities and describes the following financial administration issues:

- bank accounts
- bank deposits
- travel advances
- accounts payable
- accounting policy
- issuing cheques
- payments
- release of funds – operation and maintenance (O&M)
- community credit card

It is council's responsibility to protect community assets from misuse, theft or fraud.

Bank Accounts

Establishing a new bank account requires a council resolution and an annual review of bank accounts, including reserve fund accounts.

Community responsibilities

- Council must pass a resolution to establish a new bank account.
- Council must consider the need, length of time required, identification of signing officers, banking institution, etc.
- Council must review all existing bank accounts annually and if accounts are no longer required, the accounts must be closed.

Bank Deposits

If **cash on hand** exceeds \$200, a bank deposit must be made weekly.

Community responsibilities

- Council must ensure if cash on hand exceeds \$200, weekly bank deposits are made.

Travel Advances

This policy identifies the circumstances under which advances are permitted. **Under no circumstances are councils to give payroll, honorarium advances or loans.** Cash advances are permissible only for travel and with council approval by a council resolution for a council member or community employee.

Travel advances, within government rates, must not be greater than 80 per cent of the funds required to cover the cost of the meals, accommodations and travel. The advance can be equivalent to the number of days of the training/conference/workshop attended, including travel to and from the event.

The advance must be fully accounted for not later than 30 days following the receipt of the advance. An expense claim must be submitted by the advance recipient, complete with receipts within that time.

Community responsibilities

- Council must issue travel advances in accordance with policy and collect outstanding travel advances by ensuring the advance recipient submits an expense claim.
- The council resolution approving the advance for travel outside the community for a council member or community employee must not be greater than 80 per cent of the estimated travel costs. By issuing an advance up to 80 per cent only, council can avoid any issues with overpayments and collection.
- As part of the resolutions passed at the beginning of a fiscal year, council may grant authority to the community administrative officer (CAO) to issue cheques for the remaining portion of travel costs upon return to the community.

Accounts Payable

All financial or reporting remittances must be forwarded to the appropriate agencies on a timely basis. Requests for subsequent information are to be supplied to the agency within the applicable deadlines.

Community responsibilities

- Council must ensure that financial and reporting remittances and requests for information are provided within the applicable deadlines.

Accounting Policy

It is department policy that revenues and expenditures are recorded consistent with generally accepted accounting principles (GAAP) and the accrual basis of accounting. This accounting method reports income when earned and expenses when incurred. Communities are required to follow the reporting requirements as outlined in the *Financial Management Guide*.

The assets and liabilities reported in the financial statements consist of actual financial claims by the community (assets) or by the other parties (liabilities).

Definitions:

Assets – cash, prepaid accounts, deposits in a financial institution, amounts due to the community and investments. Tangible capital assets (TCAs) are included for the incorporated communities, ex: land, buildings, equipment (see Policy 13 Tangible Capital Assets for further details on the accounting and reporting requirements for TCAs).

Liabilities – amounts the community owes others, conditional funds where the conditions have not been met, irreversible commitments.

Community responsibilities

- Council must ensure that financial statements are reported using GAAP, the accrual basis of accounting and that all requirements outlined in the *Financial Management Guide* are met.

Issuing Cheques

Council must ensure all cheques issued are for approved payments and properly authorized in order to protect against potential fraud situations.

- Cheques offer a more secure way to make payments. It requires at minimum two signatories to ensure purchases and payments are approved and authorized. If a cheque is lost or stolen, the community can quickly contact the bank or do it online to stop payment, preventing unauthorized transactions.
- Cheque payments also provide a paper trail, making it easier to track and verify purchases and payments. It creates a physical record that includes the date, the amount and the payee's name which provides useful in resolving any payment dispute that may arise.
- Normally, cheques are the preferred method of payment for larger transactions.

There may be an instance where a cheque is lost or stolen, but not cashed and a replacement cheque is required. This process involves the completion of a statutory declaration and undertaking signed by the payee, as well as the preparation of a replacement cheque (see Appendix F6-A Statutory Declaration, Form A Undertaking for the required forms).

Community responsibilities

- Council must not pre-sign blank cheques.
- Council must ensure that all expenditures are properly authorized.
- For lost cheques, council must place a stop payment on the original cheque, initiate proceedings to have the original cheque replaced and have the payee complete and sign the required forms prior to forwarding to the payee.

Payments

To strengthen the community council and CAO accountability, transparency and effective internal control in the cash management of community funds, communities are not to use etransfer to send payments for the purchase of goods or services or transfer funds to pay vendors, council members or employees.

Community responsibilities

- Council must ensure **no payments are made by etransfer.**

Release of Funds – Operation and Maintenance (O&M)

No O&M funding will be released by the department in advance of the regular timing for payment of these funds to communities.

Community responsibilities

- Ensure effective fiscal management of O&M funds provided by the department.

Department responsibilities

- Any requests received by the community for an advance on O&M funding will be denied.

Community Credit Card

The department recognizes there may be times when payment of expenditures duly incurred by the community cannot be paid by cheque or suppliers may require a credit card as preauthorization prior to providing goods or services to the community. In order to ensure communities can obtain necessary goods and services when required, it is the policy of the department to allow communities to obtain a credit card.

Where council deems it necessary to obtain a credit card in order to simplify the procurement process, reduce accounting paperwork, speed up vendor payments and empower staff who have procurement responsibilities the community must establish a credit card policy for the use/issuing of the card (see Appendix F6-B Sample Community Credit Card Policy).

As is the case with any community expenditure, oversight of transactions is the responsibility of council.

Community responsibilities

- The following conditions and procedures apply:
 - only one credit card per community will be allowed (duplicate cards are not permitted)
 - the credit card must be issued in the name of the CAO
 - the person to whom the credit card is issued must follow the credit card policy and sign a user agreement pertaining to the use of the card
 - when applying for the credit card the council must establish a maximum credit limit for the card (must not exceed \$5,000)
 - the credit card company must be informed that the limit of the card cannot be increased without council authorization and never above the maximum limit stipulated above
 - develop a community credit card policy and forward to the department which must contain:
 - implementation of the credit card policy
 - procedures for the use of credit card
 - scope of use of credit card
 - credit card limit
 - misuse of credit card
 - termination of credit card
 - council must review the monthly credit card statement, accompanying invoices and credit card log and authorize payment by council resolution
 - payment must be made by community cheque and not preauthorized payment
- Over and above, the credit card threshold amount or limit must be paid by cheque to enhance internal control over cash management, security and prevention of unauthorized

community purchases and payments. Cheque payment for large transactions must be written into council's payment policy.

Department responsibilities

- Receive a copy of the community credit card policy prepared and approved with attached council resolution.

Other information

- Appendix F6-A Statutory Declaration, Form A Undertaking
- Appendix F6-B Sample Community Credit Card Policy