



Risk Management Policy

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1) INTRODUCTION AND PURPOSE

1.1) The Government of Peguis First Nation, elected by its membership, is responsible for programming and service delivery, policy making and decision making on behalf of and for the benefit of the Band membership it represents and the community of Peguis First Nation.

1.1.1) The Government of Peguis First Nation, as elected officials, are responsible and accountable to the membership of Peguis First Nation.

1.1.2) Peguis First Nation, along with its government, receives financial resources from Indigenous Services Canada (formerly Indigenous and Northern Affairs Canada) the Province of Manitoba and through local revenue generation.

1.1.3) The mission of the government of Peguis First Nation is to work with the Band's membership, the community, and various levels of government to help grow and enhance the community as it moves along a path to prosperity and sustainability.

1.2) Purpose

1.2.1) This *Risk Management Policy* has been established and written under the authority of the Financial Administration Law (FAL), enacted by the Government of Peguis First Nation in <insert month and date here>, and under the direction, guidance and authority of the Government of Peguis First Nation, and in conjunction with the *Governance Policy*.

1.2.2) The purpose of this *Risk Management Policy* is to help guide the First Nation government, its administration and staff to plan for risk, not only in the present, but the future, and then to plan for ways in which it can minimize the impact of the risk, whatever form it might take.

1.2.3) This *Risk Management Policy* will also serve the purpose of outlining the importance of the Administration along with Chief and Council in planning for risk, and how each body contributes to the efficient and effective management of the government's operations and managing exposure to risk.

1.2.4) This *Risk Management Policy* will do this by providing guidance in the following key areas:

1.2.4.1) By outlining the roles and responsibilities of the staff, the Administration and the government of Peguis First Nation in minimizing exposure to risk.

mean: Directors, Managers and/or Supervisors, or their designates, as may be named from time to time.

Management- PFN employees that hold the position/ role/ level of responsibility that make them either the Chief Operating Officer or the Chief Financial Officer, or both as the case may be from time to time.

- In relation to financial administration or the delegation of financial authority on behalf of Chief and Council, as the case may be, in this policy, the reference to Management can be taken to mean the **Chief Financial Officer**.
- In relation to operational administration, or the delegation of operational authority on behalf of Chief and Council, as the case may be, in this policy, the reference to Management can be taken to mean the **Chief Operating Officer**.
- When both the **Chief Operating Officer** and the **Chief Financial Officer** are referenced collectively and together as one person, they will be referred to as **Executive Management**.

Risk- The possibility that a negative event will happen.

Risk Management- Is hereby defined as the process used to plan for negative events and how best to avoid them or to minimize the exposure, or the effect, the negative event may have.

Interest Rate Risk- The risk that arises to holders of variable or fixed rate debt (or financing) when there are fluctuations in interest rates.

Credit Risk- Is the possibility that our credit rating, or our ability to raise debt may be negatively affected in the event a borrower (in this case the First Nation) cannot repay or meet its contractual obligations.

Foreign Exchange Risk- The risk that exists when a transaction is entered into that is denominated in a currency other than the domestic currency of the government.

Fraud- Is the intentional deception to secure financial gain or benefit, or to deprive someone of a legal right than may exist. It can result in a loss of money, property or legal rights.

Business Risk- The risk that exists when a business, or business activities are interrupted, paused or cease entirely as a result of factors out of the control of the proprietor or the government, as the case may be.

*** The above list of definitions is not meant to be exhaustive, however specific to this policy. For all interpretations or definitions of words or phrases, or terminology that might not be addressed in the above list, that might be used throughout this policy, such as nepotism, please refer to definitions in other Policies that have been implemented by Chief and Council.*

3) DISTRIBUTION AND APPLICABILITY OF THIS POLICY

3.1) This policy is intended for use and distribution to the following users within Peguis First Nation:

3.1.1) In their governance capacity for Peguis First Nation, and to assure Chief and Council that effective policy has been developed and implemented which ensure a sound organizational decision system making exists, and that Chief and Council's ability to govern and make decisions for the First Nation is assured.

3.1.2) Peguis First Nation's Finance and Audit Committee, Chief Financial Officer and their Finance Department to provide it with tools necessary to ensure the stewardship and proper use of the First Nations' resources, as charged by Chief and Council and the FAL, are met and carried out and that any financial risk the First Nation may be exposed to is identified and managed out as much as possible.

3.1.2.1) In distributing this policy to the department, the Finance department has been given the authority, through both C&C and the FAL to enforce, if necessary, and carry out the terms set out in this policy, and the requisite authority to enforce and ensure Chief and Council's direction is carried out as set forth in Band Council Resolutions, Minutes of Chief and Council Meetings or Letters of Direction from Chief and Council.

3.1.3) Peguis First Nation's Chief Operating Officer for the same underlying reasons as distribution to the Finance Department, namely so that they may follow the terms and conditions as set forth in this *Risk Management Policy* as they implement the Direction and Goals of Chief and Council through its operations.

3.1.4) PFN Employees so they may know how the Chief and Council and their administration define, plan for and respond to risk.

3.1.5) PFN's Management, namely "the Directors" so they may effectively and efficiently manage the Human Resources available to their department and their departmental budgets

3.1.6) along with the allocation of resources made available to them by the Chief and Council.

4) TYPES OF RISK

4.1) There are many types of risks that Chief and Council and its administration may face in carrying out the daily business affairs of the government. This policy is not intended to be exhaustive in this listing.

4.1.1) Several different types of risk that PFN might be exposed to are listed in Section 2) and defined therein, however this paragraph will take the opportunity to list them again. Some possible risks PFN may face are:

- Interest Rate Risk
- Liquidity Risk
- Credit Risk
- Foreign Exchange Risk
- Business Risk
- Acts of God
- Theft
- Fraud

5) RISK MANAGEMENT

5.1) Risk management is the practice of identifying risk that might exist, how it will impact the government's operations, and how best to plan for that event to happen and to manage the impact of the event when it happens.

5.2) Good risk management begins with thinking about what could go wrong in advance and then putting in place the plans that will minimize the risk from occurring.

5.3) Generally speaking, the most advantageous time to plan for risk is while the annual planning process(es) for the Government is occurring.

5.3.1) The five year strategic plan, and at any other time the Chief and Council may update this plan would be an opportunity to identify risk.

5.3.2) While planning and developing the annual operating budget for the governments operational and fiscal year is another opportunity for the administration and Chief and Council identify risk, and then plan how to best manage it.

5.1.6) At any point during the year while there is an undertaking that will need to be planned in advance.

5.1.7) In regards to theft, ensuring that proper hiring and recruitment steps are planned and followed and that any appropriate background checks are performed.

6) LIQUIDITY RISK

6.1) Liquidity risk can be defined as the risk, or negative impact, that may be associated with the inability to pay your immediate and/or short term obligations.

6.1.1) Whereas, immediate term is defined, for this purpose, as any obligations due in the next thirty (30) days and short term is defined as any obligations that are due in the next year or three hundred sixty-five (365) days.

6.2) This risk above will be mitigated and managed by Chief and Council and PFN's administration through maintaining cash reserves in their general operating bank account(s), or by some other means, at all times, a minimum of sixty (60) days of government operations and a further ninety (90) days of own-source, or local, operations in their general bank account.

6.2.1) In the case of the above this would be approximately \$7.5 million and \$750,000 respectively.

6.2.2) In the case of 6.2) above, "or by some other means" can be taken to mean or refer to purchasing and maintaining a series of short term highly liquid, investment, such as Guaranteed Investment Certificates (GIC's) or Treasury Bill's (T-Bills), or some other short term highly liquid investment the *Investment Committee* might advise on.

6.2.3) The maximum amount of cash on hand PFN may have under this policy and to avoid any liquidity risk will be ninety (90) days of government operations and one hundred twenty (120) days of own-source, or local, revenues.

6.2.4) In the event there is more than 90 days of government operations and 120 days of own-source operations on hand, any residual balances, if not needed in operations, will be invested according to direction provided by the *Peguis First Nation Finance*

and Audit Committee or the Peguis First Nation Pension, Group Insurance and Investment Committee.

- 6.3)** To ensure liquidity risk is managed appropriately, the Finance Department for Peguis First Nation will ensure, whenever practicable, the net working capital balance is positive.

 - 6.3.1)** Net working capital will be defined by your Current Assets less your Current Liabilities. Current Assets and Current Liabilities will be defined through their definitions found in *Public Sector Accounting Standards* or any other parts of Generally Accepted Accounting Principles in Canada.

- 6.4)** To ensure that Peguis First Nation can meet its immediate and short-term obligations to its creditors, the Finance Department will maintain, whenever practicable, a Current Ratio of at least 1:1.

 - 6.4.1)** The Current Ratio will be defined as Peguis First Nation's current assets divided by its current liabilities. Current Assets and Current liabilities will take their definitions from 6.3.1) above.
 - 6.4.2)** Current ratios measure how liquid you are as an organization. Current ratios of 1:1 or greater, suggest increased levels of liquidity as organizations have \$1 or greater in reserve to cover each dollar of financial obligations. Amounts less than 1:1 may indicate concern about the future and abilities to pay its short-term and immediate term obligations.

- 6.4)** To ensure even further its liquidity and ability to meet its financial obligations, Peguis First Nation's Finance department may instead choose to use its Quick Ratio as its measure.

 - 6.4.1)** A quick ratio is the same as the current ratio in its calculations, however the quick ratio does not include inventories in its measure.

 - 6.4.1.1)** Quick ratios of 1:1 are generally considered strong measure and indicators of liquidity, and indicate, similar to Current ratios how many dollars of current assets are maintained in relations to their current liabilities.
 - 6.4.1.2)** Current assets and Current liabilities will take their meaning from Generally Accepted Accounting Principles as in 6.3.1) above.

6.5) To continually assure liquidity risk is mitigated as best as possible, the CFO will be responsible for ensuring all bank accounts that have been established by Chief and Council, are being used for their intended purpose.

6.5.1) The CFO, whether themselves personally, or through delegating this responsibility to another officer or Senior Manager, will ensure that at all times the happenings of the bank accounts may be known and as such, and upon request may be made available for internal review at any time.

6.5.2) All records regarding signing authorities on the Peguis First Nation bank accounts must be kept current and accurate.

6.5.2.1) Any changes requested and made by the administration must be reported to Chief and Council and any request made of Chief and Council must be updated accordingly.

7) CREDIT RISK

7.1) Credit risk is the risk that PFN's credit rating will be negatively affected and that its ability to raise debt or different types of financing, on an as needed, or on demand, basis, will be negatively impacted as a result of it failing to meet an obligation or payments on existing debt.

7.2) To ensure the First Nation manages against this risk, during the annual planning process, the Finance Department of the First Nation will be responsible for forecasting, or developing, an annual cash flow budget, which will include annual debt servicing, should it be needed.

7.2.1) This cash flow budget above will include scheduling debt repayment when it is due in the month and ensuring that both the principle and interest payments are included in planning the month instalment.

7.3) Credit is also affected by the amount of debt you currently have, the greater the debt levels, the greater the risk, therefore the worse is your credit.

7.3.1) To avoid difficulties in raising additional debt or discharging its current debt, at all times Peguis First Nation will maintain a debt to equity ratio of no more than 2:1, which means our assets use to deliver our services and programming are financed moderately by our creditors and that it will still remain relatively less complicated to raise debt.

7.3.1.1) Debt to equity ratio can be defined as your Liabilities divided by your Net Surplus.

7.4) As part of the annual planning process, Directors, when developing their annual operating budget, will be required to determine if they will be acquiring, or purchasing any additional capital assets (see Finance Policy for definition of capital assets) in the year.

7.4.1) In this case, Directors will be taken to include Chief and Council.

7.5) To avoid unnecessary exposure to credit risk, any capital asset purchases for assets with a value of \$64,999.99 or less will be paid for in cash at the time of purchase.

7.6) The exception to 7.4) is with the fleet of vehicles employed by the First Nation.

7.6.1) All Band vehicles, with the exception of School Buses for Peguis Central School, will be leased through a reputable leasing agent over a five (5) year period.

8) FOREIGN EXCHANGE RISK

8.1) Foreign exchange risk is the risk associated with maintaining and entering into transactions that are in currencies other your home currency (CDN).

8.2) To mitigate this risk to as low as possible, and to avoid additional complications that may arise from hedging receivables and payables, Peguis First Nation **will not carry, denominate, list, pay or record** any amounts owing to it or from it in anything other than Canadian dollars.

8.3.1) Should a situation arise where it is unavoidable that Peguis First Nation transacts with an organization residing outside of Canada, and that organization requires payment in something other than Canadian dollars, the organization will be paid in the Canadian dollar value equivalent using the spot rate on the day the payment was made, and will identify to the vendor what the spot rate used for conversion was.

9) INTEREST RATE RISK

- 9.1) Interest rate risk is the risk that is associated with the negative implications of fluctuations with interest rates, or variable interest rates, or that the cost of borrowing will increase.
- 9.2) To avoid interest rate risk and unless it is unpracticable, Peguis First Nation will negotiate at all times with Banks and other types of lenders, fixed rate, fixed term payment arrangements.
- 9.3) Corporate or Peguis First Nation credit cards will be issued and will have the lowest rate of interest our bank can extend to us.
- 9.4) For all other types of credit arrangement, Peguis First Nation will not enter into variable interest rate transactions, unless it is absolutely necessary for it to do so.

10) FRAUD

- 10.1) Fraud occurs when an event occurs in which someone, or a group of individuals, has or have committed an act that was deceitful in nature, was designed to expose weaknesses in controls or a lack of controls, create a financial gain for the perpetrator(s) or to deprive someone of their rights, or a combination of all of these.
- 10.2) Fraud ***is illegal and will not be tolerated*** by Chief and Council or its Administration.
 - 10.2.1) Any staff member found to have committed a fraud, either against Peguis First Nation, or external to Peguis First Nation (while they are employed by the First Nation) will face disciplinary action up to and including termination of employment.
- 10.3) Fraud is considered substantive reason for automatic termination of employment as per the Peguis First Nation *Human Resources Policy and Procedures Manual*.
- 10.4) To mitigate against fraud, of any kind, the Administration will design a set of internal controls, designed in nature to identify fraud and areas at risk for frauds and to manage this risk out.
 - 10.4.1) The Administration, in its capacity as such, may determine that an Internal Auditor or an Internal Audit department is needed to provide greater security and controls to minimize this risk.

10.4.2) If the Administration make such a decision as contemplated in 10.4.1) then the Administration will seek to hire an accountant, or other such type professional, that is a Chartered or Certified Internal Auditor (CIA) or a Certified Fraud Examiner (CFE).

10.4.3) The Administration of the First Nation will, if deemed necessary by the requisite authorities, aid and assist in the prosecution of any employee (or former employee as the case may be) that is found to have committed a fraud against the First Nation.

11) THE ROLE OF EXECUTIVE MANAGEMENT (TRANSACTIONAL RISK)

11.1) The above four types of risk identified and spoken to in this *Risk Management Policy* can also be referred to collectively as Transactional Risk.

11.2) To further ensure these types of risks, in their whole or in part, are managed or mitigated out of the environment, Peguis First Nation's ***Executive Management will review all lending arrangements*** the First Nation may enter into, or contemplate entering into, prior to these lending arrangements being reviewed by the *Finance and Audit Committee or Chief and Council*.

11.3) Should a situation arise that may violate or seek to circumvent this policy in its whole or in part, ***it must be reviewed by Executive Management, and the Corporate Legal Counsel for Peguis First Nation*** prior to it being reviewed by the *Finance and Audit Committee or Chief and Council*.

11.3.1) This legal review must be done to ensure the lending arrangements are not in violation of any of the regulations surrounding lending in Canada, and to ensure the arrangement is in the best interests of Peguis First Nation and that given the circumstances has as little risk as possible extended to the First Nation given the situation.

12) INSURANCE

12.1) Insurance is purchased as a means of insuring against the negative consequences of the "what if" in the business and corporate environment.

12.2) There are many different types of insurance that Peguis First Nation may buy and implement, such as fire insurance and business loss insurance.

12.2.1) The minimum types of insurance that Peguis First Nation will carry and pay premiums for are the following:

- **Directors and Officers Insurance-** protection for Chief and Council, Boards and Management
- **Errors and Omissions Insurance-** protection for decision makers in the event they enter into a contract, for example, without having all the information to make the appropriate decision, and the contract fails or PFN is sued.
- **Group Insurance (Employee Benefits)-** this would be part of an effective and sustainable employee retention plan which sees the employees contribute to the risk management.
- **Fire Insurance-** protects First Nation (Band) property from losses as a result of fire damage.
- **Residential (Home) Insurance-** legal requirements are for the First Nation to take out insurance for and provide coverage on its Housing inventory that is under Canada Housing and Mortgage Corporation (CMHC) operating agreements.
- **Business Loss or Business Interruption Insurance-** protection extended in the event an Act of God interrupts your earnings and the net income of the operations. This is usually extended to for-profit operations, and not all government operations may benefit from this type of insurance.
- **General Liability Insurance-** protection from accidents and other types of calamities that might happen due to assets being in (at some level) states of disrepair.
- **Non-Residential Insurance-** insurance that will provide protection in the event Acts of God (for example) cause damage to your properties that are not residential in nature.

- **Environmental Liability Insurance-** protection in the event that Peguis First Nation unknowingly causes damage to the environment, such as the land for example.
- **Vehicle Insurance-** protection against damage cause or liability that may extend to Chief and Council as a result of using light duty trucks, passenger vehicles, heavy equipment, and trailers in delivering programming and services to the community.
- **Crime and Fraud-** insurance protection in the event that one of your staff members perpetrates a crime against Peguis First Nation, or if one of your staff members, unknowingly, creates a situation that could lend itself or does lend itself to a crime being committed such as theft.
- *Any other types of insurance as maybe deemed necessary by the FAL or by Chief and Council.*

12.3) Peguis First Nation will make it a requirement that its Insurance Broker makes available, once the insurance premiums are renewed, all necessary Certificates of Insurance (COI's) that are needed for Peguis First Nation to present when it needs to.

12.4) All policies, including it General Liability will carry the lowest deductible possible based on our insurability and all maximum insured amounts will be appropriate for the situation and will be no less than \$5,000,000 per instance.

12.5) No more frequently than every two (2) years, and no less frequently than every four (4) years, Peguis First Nation will put to market our insurance needs.

12.6) Any third party contractors, consultants, or agents that Peguis First Nation may contract with, will be required, as a term of their contract, to provide the First Nation's Administration with a copy of its own Certificate of Insurance indicating liability coverage of no less than \$5,000,000 per instance.

12.7) Peguis First Nation, through its Executive Management, will ensure at all times, that it has the requisite and necessary insurance coverage as may be needed throughout the insurance year.

13) SIGNING AUTHORTIES AND CONTRACTUAL ARRANGEMENTS

- 13.1)** Contracts are legally binding arrangements which commit Peguis First Nation to honour certain parts of the contract.
- 13.2)** To avoid any type of risk that might be involved without understanding fully contractually binding relationships, all contracts, regardless of their deliverables or size of their payment arrangements will be reviewed by Peguis First Nation's Executive Management.
- 13.3)** Any contract, regardless of size or deliverables underneath it, and up to \$300,000 annually in value, will be signed by a Corporate or Public Officer of Peguis First Nation, namely one of or both the Chief Operating Officer or the Chief Financial Officer, or both if so required.
- 13.4)** Any contract that is valued at \$301,000 or more will be reviewed and approved by Executive Management and Chief and Council, however it can only be signed in approval and commitment by Chief and Council.
- 13.5)** Once signed and approved, a copy of each contract will be forwarded to the Finance Department and the Director for each program area that might be affected by said contract.
- 13.5)** A master repository of all contracts entered into by the First Nation will be kept on file by the First Nation's Finance Department.
 - 13.5.1)** The filing of all contracts will be taken to include any and all funding arrangements with Indigenous Services Canada and either of the Community Trusts.
 - 13.5.2)** This master repository will also include copies of the requisite Band Council Resolutions that might be needed in support of the contract.

14) LENDING AND BORROWING ARRANGEMENTS

- 14.1)** Loans are agreements that are entered into between a financier and a borrower that will see the borrower purchase, overtime, an asset.
- 14.2)** Peguis First Nation will not enter into any lending arrangements of any kind of assets that are worth \$64,999.99 or less. For these assets, Peguis First Nation will pay cash.
- 14.3)** To mitigate against any risk in a loan and to ensure the loan is mutually beneficial to both parties, and depending on the nature of the loan arrangement(s), the loans, prior to signing, shall at the discretion of

Executive Management, be reviewed by legal counsel for Peguis First Nation.

14.5) Any loans that are valued up to \$300,000 may be signed by the Chief Operating Officer and the Chief Financial Officer. The Program Director must also approve of said loan.

14.6) Any loan entered into by the First Nation, whose value is greater than \$301,000 must be signed by two members of Chief and Council, one being the Portfolio Holder for the Program.

14.6.1) Any loan that requires signature from Chief and Council must be reviewed and approved by the Program Director and Executive Management, *along with the Finance and Audit Committee*, prior to said loan being forwarded to Chief and Council for signature.

14.7) Copies of all loan documents will be forwarded to the Finance Department for its record keeping, to adjust monthly bank account reconciliations and to add to the cash flow budget.

14.8) All types of other lending or borrowing arrangements, will follow the same process for approval, commitments and signature.

14.8.1) Lease arrangements for the First Nation's fleet of vehicles will be the responsibility of the Chief Financial Officer.

14.8.2) On behalf of all programs, the Chief Operating Officer and the Chief Financial Officer will commit the program to the terms and conditions of the lease agreement for a vehicle.

14.8.3) All vehicle leases above \$301,000 will be signed by Chief and Council and only with the advice from Executive Management and the *Finance and Audit Committee*.

15) REPLACEMENT RESERVES

Vehicles

15.1) To assist employees better deliver programming and services to its membership, the government of Peguis First Nation maintains a fleet of approximately **sixty-one (61) vehicles**.

15.2) To accurately and efficiently maintain its fleet of vehicles, the Peguis First Nation Administration will set aside annually, in a separate interest-bearing bank account of its choosing, 30% of the annual insurance premium on these vehicles.

15.2.1) The First Nation also has several pieces of heavy equipment which it employs in its Public Works operations.

15.2.2) The administration will set aside, in a separate interest-bearing bank account, 30% of the annual cost to insure these pieces of Heavy equipment.

15.3) These bank accounts, and the set aside amounts, will come to be known annually, as a replacement reserve for vehicles and will be used for the specific purpose of maintaining its leased vehicles first, including its heavy equipment, and secondly its purchased vehicles.

15.4) This replacement reserve will grow to a maximum value of \$300,000, including accrued and actual interest, at which time, any time excess dollars in any given year will be repurposed to the replacement of gaining vehicles and heavy equipment.

Canada Mortgage and Housing Corporation (CMHC)

15.5) The First Nation has many CMHC units in the community all of which have operating agreements with CMHC that are requirements of the initial funding of the units and their ongoing use.

15.6) To allow for minor capital upgrades and improvements over the life of the CMHC unit, the operating agreements referenced above have the requirement that 1% of the (declining value) of the capital cost to build the unit be set aside in a separate interest-bearing bank account.

15.7) This will come to be known as the CMHC replacement reserve and will be used and provided for annually on the terms and conditions set forth in this policy and in the operating agreements.

16) INFORMATION TECHNOLOGY

16.1) To allow for better service delivery, a robust storage system and a modern and robust work environment, the government of the First Nation has invested in an Information Technology (IT) network, which includes a Local Area Network, a hosted website, and mobile devices, amongst others.

16.2) Although overall guidance on the maintenance, upgrades and use of the IT network will be governed by the Peguis First Nation *Information Management Policy* it is important from a risk management perspective that certain aspects of that policy are included here. These aspects are the following:

16.2.1) Passwords for all hosted software application, such as ACCPAC, will have a requirement to change every **60 days**, including the passwords required to access the employee's server profile.

16.2.2) Access to websites such as Facebook, Twitter or LinkedIn will not be allowed, along with other Social Media accounts, with the exception of the accounts associated with those employees responsible for the Communications strategy for the First Nation.

16.2.3) Access to any types of online shopping websites will be denied or restricted in their use.

16.2.4) ***Effective three months after the implementation date of this policy,*** Peguis First Nation will no longer employ a 'Bring your Own Device' policy for its cellular communications and mobile devices.

16.2.5) ***Effective three months from the implementation date of this policy,*** all employees which require cellular telephones or other types of media to perform their work and discharge their daily responsibilities, including Chief and Council, will be provided at the First Nation's expense, cellular telephones along with devices or other types of media that may be required to perform their work or discharge their responsibilities.

16.2.6) ***All mobile devices or other types of media used by the Administration or Chief and Council will be clearly identified*** and will have tracking identifiers installed (somewhere) on the devices or media deployed to the employees and/or Chief and Council.

16.2.7) ***These devices will forever be and remain the property of Peguis First Nation, its Chief and Council or its Administration.***

16.2.8) To avoid the risk of attacks from malicious software, all employees of Peguis First Nation, along with its Chief and Council, will be required to use an email account that is associated with a registered internet domain for Peguis First Nation, such as @peguisfirstnation.ca

16.2.9) To avoid the risk or risks associated with obsolescence, Peguis First Nation will renew and upgrade its technology, such as desktop computers, laptop computers, cellular telephones, once every three (3) years.

17) GOVERNMENT PROPERTY- VEHICLES

17.1) The government of Peguis First Nation has many assets that it employs to ensure the efficient and timely delivery of its programming and services to its membership.

17.2) This part of the policy will apply to the fleet of vehicles employed by the First Nation government in the delivery of its programming and services to the membership of Peguis First Nation.

17.3) To reduce the risk of theft, vandalism and other types of abuse, not only by the general public, but by the employees of the First Nation, the government of Peguis First Nation, through its Administration will clearly identify the vehicles that are used in conducting its business.

17.4) All vehicles will be marked with decals and a sequential numbering system.

17.5) All vehicles will have, clearly displayed, using a consistent application method, phone numbers to call to report any misuse or abuse of the vehicles.

17.5.1) Each vehicle, other than those in use by the Administration (in this case taken to mean its Finance and Administration staff) will have this number displayed on the rear fenders of the vehicles and on both sides of the vehicle.

17.5.2) Each vehicle, including the vehicles used by Administration, will have the Peguis First Nation logo placed on the vehicle on the bottom rear most spot on the rear most window where the passengers may sit.

17.5.3) Each vehicle will have placed on the top, most flat, location, adjacent to the seam for the driver's side and passenger side doors, the fleet number assigned to that vehicle. All numbers will be white in colour and will be reflective in nature.

17.5.4) All vehicles, with the exception of those in use by the Administration for Peguis First Nation, will have the name of the Government department the vehicle has been assigned to. For example, Public Works

17.5.5) All Septic Trucks, or vacuum type trucks or vehicles that are in use, including those used to apply 'dust control' will bear, through decals, the Peguis First Nation logo in the centre of the driver's side and the passenger side doors.

17.5.5.1) These same vehicles will also have clearly displayed on the storage tanks of the vehicles, the phone numbers that can be used to report the mistreatment or abuse of the vehicles.

17.6) All vehicles employed by the government of Peguis First Nation will be equipped with a global positioning system (GPS) tracking mechanism to track the vehicles location and use.

17.6.1) Should the need arise, the government of Peguis First Nation will further install 'governor's in certain vehicles to control the rate speed that these certain vehicles may travel at.

17.7) Each employee requiring the use of a vehicle to discharge their daily responsibilities and perform their work will be required to sign the vehicle they are using for the day out at the beginning of the day, or when the vehicle may be needed, and at the end of the day, or when the vehicle may no longer be needed in the day. This will be recorded in a daily log book and will include the mileage at the start and end of day.

17.8) Once practicable, and from that time forward, all government vehicles, when not in use, will be required to be parked at a location of the governments choosing, hereinafter referred to as 'The Yard' where they will be stored when not in service.

18) FINANCIAL REPORTING

18.1) As a requirement of funding agreements and as a part of the regular course of business Chief and Council must report, at least quarterly on their financial performance.

18.2) In this type of reporting, there is a risk that not all information reported on may be completely accurate and could therefore be unintentionally misleading as a result.

18.3) Executive Management, as part of the reporting process will make every effort possible to ensure that all financial information reported on is as complete and accurate as possible.

18.4) To assure against any possible negative consequences of not obtaining all information to accurately record and report all transactions that may affect the First Nation's financial performance, Management, through its Chief Financial Officer, will make a disclosure at the outset of the reporting outlining this fact.

18.4.1) On a quarterly basis, at the least, appearing in the body of the financial report, and then again in the Table of Contents will be a disclaimer, noting the above, and may otherwise be known as a "Notice to Reader"

18.4.2) This notice to reader shall include the following:

- The statements and financial information has not yet been attested to by an accredited accountant following Generally Accepted Auditing Standards in Canada and that as such it may contain information that may be misleading.
- Chief and Council, along with their management, accept no liability or responsibility if the information contained in the report is used to make decisions that may result in a consequential decision.

18.5) To assure against the above noted risk as much as possible the Management of Peguis First Nation will formally close each reporting period, whether it be monthly, quarterly or annually prior to reporting to Chief and Council and any external bodies.

18.6) In the event there is a potential for fraud, or another type of risk that might lead to a potential misstatement in the financial reporting, Management will document the steps that it went through in its internal investigation and will document each step thoroughly and adequately.

18.7) To further assure the risk of material misstatement is reduced as much as possible, Management, may and depending on funding, employ a qualified Internal Auditor or a qualified fraud examiner, or Management may create and employ a separate department duly named Internal Audit and Risk Management.

18.8) In the event the First Nation may be underperforming financially, and at the discretion of Chief and Council and the Finance and Audit Committee, Management may be required to re-plan or re-forecast the year, or asked to budget for the remainder of the year.

18.8.1) This re-forecast may be requested at any point during the quarterly reporting periods and not before.

18.8.2) This re-forecast can be requested by Chief and Council alone, or by Chief and Council with the support of the Finance and Audit Committee.

18.8.3) At a minimum, quarterly statements will be approved, through signature, at a Duly Convened Chief and Council meeting. Should Chief and Council approve, no less than a quorum of Chief and Council will be needed for requisite approval. The Chief Financial Officer will provide Chief and Council with the signature page.

18.8.3.1) As with any other Duly Convened Chief and Council meetings, the meeting will be recorded and minutes published with the motion made and who approved of the motion and who did not approve of the motion.

18.9) Should the poor financial performance be a matter of imperfect information, or if it is the case that not all financial information was made available to the Finance Department upon request, the Finance department will, when called upon to do so, be required to produce any and all documentation related to the provision and sharing of information to the Chief Financial Officer (the Chief Operating Officer in their absence), the Chief Operating Officer, or Chief and Council, or all three at the same time.

18.9.1) Failure to produce said documentation, when called upon to do so, may result in disciplinary action in line with the *Human Resources Policy and Procedure Manual*.

18.10) On a quarterly basis, Management, to assure against any risk of misinterpretation, and to quantify its results, will produce explanatory notes as part of the body of the report or as appendices to the report.

18.10.1) The explanatory notes, and quarterly financial report will have included with it a report on the overall operations for the quarter, which may be otherwise known as "management discussion and analysis."

18.11) Management will report to Chief and Council on the financial performance of the First Nation, no later than fifteen (15) business days subsequent to the end of the reporting period.

18.11.1) Management and Chief and Council will report on their financial performance to all external stakeholders no later than twenty (20) days subsequent to the end of the reporting period.

18.11.2) Management and Chief and Council will report specifically to Indigenous Services Canada, no later than twenty (20) days subsequent to the end of each fiscal quarter.

19) FOR PROFIT ACTIVITY AND ECONOMIC DEVELOPMENT

19.1) The responsibility for economic development for Peguis First Nation will be the primary responsibility of the portfolio holder- in this case the Chief of the First Nation.

19.1.1) From time to time, and at the discretion of the portfolio holder, some or all of the economic development responsibilities of the portfolio may be delegated to Peguis First Nation's Executive Management.

19.2) In any respect, opportunities for economic development, which can be lead by the government of the First Nation, through its Chief or through its administration, will end when the opportunity to add value ends and when it comes time for the idea to become an operational business or enterprise occurs.

19.2.1) While in development, all necessary due diligence needed to mitigate any form of risk that might be apparent will be done through the administration. This may include, but not be limited to:

- the review of the books of records and financial statements of organizations, should it be necessary
- a review of the industry being asked to enter, if we are not already involved in it
- a complete and robust review and analysis if a leveraged buy out is being contemplated
- ensure that Certified Business Valuers are involved to ensure we may be getting best value for our dollar

19.3) In that regard, for-profit business operations, and to reduce as much risk and liability as possible that may extend to the government from operating for-profit businesses, in September of 2014, Chief Peguis Investment Trust (CPIT) was created.

19.3.1) CPIT is a legally separate, arm's length, Trust and serves as the sole shareholder in the businesses and the management groups that manage their operations.

19.3.2) CPIT is an arm's length entity from the government of Peguis First Nation and therefore, is not under the control (appearance or in fact) in any way by said government.

19.3.3) CPIT must report, at least once annually to the membership of Peguis First Nation

19.4) The government of Peguis First Nation since September 2014 has not owned, operated or managed for-profit businesses whether they be on or off reserve. That will remain

the position of the government of Peguis First Nation as long there is a potential liability extended to the government from said operations.

- 19.5)** At all times, the for-profit businesses under the control and management of CPIT will derive their profits and manage those profits under the direction and guidance of the Peguis First Nation Financial Administration Law.

20) BUSINESS CONTINUITY

20.1) To ensure the operations of the government may continue in the wake of an unexpected event, such as an electrical storm that causes a power outage, the government of the First Nation has implemented, or will be implementing the following plans to assure that the business and operations of the government may continue with as little interruption as possible:

- moving our data processing and data storage to a 'cloud-based computing environment'
- investment in an online, "cloud ready", Enterprise Resource Planning (ERP) software package for the government's operations, which can be modified on a modular basis.
- a redundant storage and back-up solution will be created and stored in the "cloud" to allow for better response times in the event that the government operations have been interrupted.
- Data Centres used to manage, store and manipulate our data will not be housed, managed or located in the Province of Manitoba.
- The Administration will create an acceptable risk tolerance level for both system downtime and loss of data.
 - For system downtimes, an acceptable length of time for the system to be down and not available for processing is two and one half (2 ½) hours
 - For loss of data, although the risk tolerance for this from the First Nation is zero, the reality is the First Nation will accept a 2% to 5% loss in data due to the unexpected shut down of our operations.
- To prevent interruptions due to intermittent power restoration, surge protectors will be added to each and every server back the First Nation may employ.

- In the event the Administration offices are closed due to an emergency, or other event deemed appropriate by Chief and Council, those staff deemed as essential will be provided with the tools necessary, including laptops and mobile Wi-Fi devices, to allow them to connect and work from home or another alternate location with the approval from Management.
- In the event business is interrupted due to an emergency lockdown of the government offices, the employees and management will follow the procedures outlined in the *Human Resources Policy*.
- In the event business is interrupted due to Chief and Council declaring a State of Emergency in the community, the Administration of the First Nation will follow the plans, guidelines and direction found in the *Peguis First Nation Emergency Policy* and the *Emergency Response Plan [the emergency response plan is still under development at the time of writing of this policy]* that is required under that Policy. The *Peguis First Nation Emergency Policy* is included as Appendix 'A' to this policy.
- To prepare adequately for uninterrupted business operations, Executive Management will develop and maintain a list of staff that are deemed as vital to the operations of the government and will be hereby referred to as "the list of Essential Employees." The number of employees per entity will be determined by Human Resources, Executive Management and Chief and Council
 - Once identified these employees will be the only employees that may be allowed to enter Administration buildings and carry out operations on behalf of the government and its Administration
 - Two of those employees, as deemed appropriate by Chief and Council are the Chief Operating Officer and the Chief Financial Officer.
- In the event there is loss of funding, earnings, or other types of tangible assets due to the unexpected interruption to the business of the government, the government will seek to carry insurance in this regard, to the extent that it may be able to.

21) BORROWING ARRANGEMENTS- RISK MITIGATION

21.1) The administration of the First Nation, and specifically its Executive Management, through this part of the *Risk Management Policy* may not enter into borrowing arrangements, of any kind, on behalf of the First Nation as prescribed by this policy and the Peguis First Nation *Governance Policy and Finance Policy* without the approval of Chief and Council.

21.1.1) In all matters of borrowing, it will not be enough that Chief and Council may be aware, Chief and Council must approve of the borrowings except in matters which they may delegate to their Officers, or as the case may be in either the Peguis First Nation *Governance Policy, Finance Policy, or the Peguis First Nation Delegation of Authority*.

21.1.2) Council will review the borrowing proposal and recommendations.

21.1.3) Subject to the Financial Administration Law, Chief and Council will vote on whether to approve the requirement for entering into a borrowing obligation.

21.1.4) Council must also approve the borrowing and terms and conditions by Council Resolution.

21.1.5) In all cases of borrowing arrangements of any sort, with the exception of leases for operating assets, and without the express written consent, of at the least, a quorum of Chief and Council, Executive Management may not enter borrowing arrangements on its own.

21.1.6) Borrowing proposals will include the following:

- need for financing and alternatives considered
- evaluation of available borrowing options
- the timely payment of debt obligations
- identification of any provisions in the Financial Administration Law or in any other applicable law that limits borrowings or that imposes requirements or conditions which must be met before borrowing may be incurred
- requirement for consultation with members of the First Nation before any capital project related debt is incurred by the First Nation

21.2) Any borrowing arrangements, regardless of size, must be disclosed, at least annually to Chief and Council, the Finance and Audit Committee, the First Nation's auditors and the Membership of the First Nation.

21.2.1) The Chief Financial Officer will manage and monitor the borrowings by:

- ensuring that timely payments are made according to the terms and conditions and repayment schedule
- performing reconciliations between the First Nation's financial records and statements from the lender

21.2.2) As a matter of course, outstanding balances and types of borrowings shall be disclosed to all external stakeholders, through publication to the appropriate sources and through the annual audited Financial Statements.

21.3) Prior to signing, at any level of authority, including Chief and Council, any borrowing arrangements, save lease agreements for operating assets (below \$300,000) shall be reviewed by and with legal counsel for Peguis First Nation.

21.3) Prior to signing and approval being given to any borrowing arrangements above \$300,000, Chief and Council must have the borrowing arrangements reviewed by legal counsel the Finance and Audit Committee and the CFO and COO.

21.3.1) Any lease, lending or borrowing arrangements above \$300,000 must be recommended by the Finance and Audit Committee, through a motion of that Committee, to be out forwarded to Chief and Council for final approval and signing.

21.3.2) Prior to any lease, lending or borrowing arrangements above \$300,000 being forwarded to the Finance and Audit Committee, the CFO and COO must review this agreement(s) with legal counsel thoroughly and properly for any risk to the First Nation, and to ensure that any risk may be registered along with plans to mitigate the risk.

21.3.3) Review with the COO, CFO and legal counsel will also be done to ensure that whenever practicable, the type of lending arrangement(s) are done so in the best interests of Peguis First Nation.

21.4) The Chief Financial Officer will make sure borrowing records are created, maintained and retained in accordance with the relevant policy.

21.4.1) For each borrowing, the Chief Financial Officer will ensure the following will be documented:

- the loan agreement and any supporting agreements
- the borrowing proposal on which Council based its decision

- documented Council approval and required membership information or involvement
- an interest and principal repayment schedule (if applicable) that includes the dates of all payments required under the loan agreement or plan for borrowing retirement
- the cost of borrowing including interest payments and service or other charges
- the purpose of the borrowings

22) GUARANTEES AND INDEMNITIES

22.1) Any guarantees the First Nation is asked to make or to enter in to on behalf of others to secure borrowing arrangements for those other parties may only be approved and entered into by the Chief and Council.

22.1.1) To manage a potential credit risk or a liquidity risk for the First Nation, the Chief and Council may only guarantee credit facilities for Government owned businesses and for other businesses that are closely affiliated with the Government of Peguis First Nation.

22.1.2) Chief and Council, under no circumstances, will guarantee lines of credit, loans or other types of credit facilities for members of Peguis First Nation, or any businesses or business partners that are not affiliated with Peguis First Nation.

22.1.3) Other than through the already established On Reserve Housing Loan Program (ORHLP), Chief and Council will not guarantee mortgages for any band members or employees of the First Nation.

22.1.4) To preserve the First Nation's credit and its liquidity, and to safeguard against any such risk brought on by having to pay debt for someone who might have defaulted on the terms and conditions of their own loans, the Chief and Council will limit the number of guarantees it extends to **no more than two (2) guarantees totalling no more than \$300,000, except as may be the case in 22.1.3).**

22.2) An indemnity is considered a security against a loss or other financial burden, or liability for one's actions, and generally is measured in outlays of cash.

22.2.1) The Chief and Council, unless instructed to do so by a court of competent jurisdiction, will not award or make ready for payment indemnifications of any kind.

23) LOANS AND RECEIVABLES

23.1) Other than through the course of ordinary business (otherwise known as Trade Receivables), the Chief and Council, or its administration may advance to others, upon requisite approval being met, amounts they may request to borrow from the First Nation.

23.1.1) Any approved amounts that are loaned to outside parties and which are not loaned through the ordinary course of business will be subject to an applicable interest rate that takes into consideration any risk that may be associated with the loan.

23.1.2) Any amounts loaned to outside parties will be treated as such, and will require Promissory Notes, as per Appendix "D" of this policy, to be signed by the borrower or, if more formal agreements are necessary, will be structured accordingly. All agreements will include a repayment date.

23.1.3.1) Once the repayment date is reached and should the borrower not have repaid the amounts borrowed from the First Nation in full, a collection effort will ensue by the Finance and Accounting Department the next day following.

23.1.3.2) Loaned amounts that are not repaid, or to which Chief and Council or the administration may agree, will be thereby considered to be grants, will be treated as such.

23.2) Any loans made by the First Nation to outside parties that are \$50,000 or less, may be approved by the CFO. In the CFO's absence, these may be approved by the COO.

23.2.1) The CFO, or in the case of the CFO's absence, the COO, may only approve the loan request, in writing, providing the necessary documents are fulfilled, namely any loan agreements or Promissory Notes, by the borrower prior to approval from the CFO, or in their absence, the COO, is provided, along with any supporting documentation, such as business plans, the administration may ask for.

23.3) Any loans made by the First Nation to outside parties that are \$50,001 or more, may only be approved by Chief and Council.

23.3.1) Chief and Council may only approve the loan request, in writing, providing the necessary documents are fulfilled, namely any loan agreements or Promissory Notes, by the borrower prior to approval from Chief and Council.

23.4) Any loan program Chief and Council wish to establish may only be done so if its is freely available to the membership of Peguis First Nation, and is accessible to all.

23.4.1) Any loan program offered to the membership must have clearly defined rules and regulations for the loan program, not only about who may qualify, but also about what you need to do to become qualified.

23.4.2) Any loan program offered to the membership must also have specific rule around repayment, included applicable interest rates, due dates and installment plans.

24) FORGIVENESS OF DEBTS OWING

24.1) The repayment from outside third parties of loaned amounts, otherwise known as forgiveness of debt owing, may only be done by the three parties, the Chief Operating Officer , the Chief Financial Officer and quorum of Chief and Council.

24.1.1) Chief and Council are responsible and only Chief and Council, for forgiveness of loaned amounts to outside parties in excess of \$50,001

24.1.2) The COO, and only the COO, is responsible for debt forgiveness of amounts of \$50,000 or less, and only after a review of the amounts have been done by the CFO.

24.1.2.1) Regardless of amount of debt that has been forgiven, the necessary administrative papers, as represented in Appendix 'E' must be completed and submitted to the Finance department so it make the appropriate adjustments to its book of record, and to the individual making the request for debt forgiveness.

24.1.2.2) Any debt forgiveness granted by the First Nation will published annually to the First Nation's website and to conspicuous posting location in the Band's Administration offices and inside its "Mall".

24.1.2.2.1) This list will be kept by the CFO for a period that corresponds with the applicable retainment strategy as laid out in the Peguis First Nation *Information Management Policy*.

END OF POLICY