

July 7, 2020

Mr. Rob Bullock  
Ahousaht  
General Delivery  
Ahousaht, BC V0R 1A0

Dear Mr. Bullock:

**Management letter for the year ended March 31, 2020**

We have recently completed our audit of Ahousaht in accordance with Canadian generally accepted auditing standards ("GAAS"). The objective of our audit was to express an opinion on the consolidated financial statements, which have been prepared in accordance with Canadian public sector accounting standards. Included in our audit was the consideration of internal control relevant to the preparation and fair presentation of the financial statements. This consideration of internal control was for the purpose of designing audit procedures that were appropriate in the circumstances. It was not for the purpose of expressing an opinion on the effectiveness of internal control or for identifying all significant control deficiencies that might exist.

An audit is not specifically designed to identify all matters that may be of interest to management in discharging its responsibilities, however, during the course of our audit, we did, identify some areas for improvement that we are bringing to your attention with this letter. It is our responsibility to communicate any significant deficiencies identified to those charged with governance. A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

**Accounts Payable Module**

**Observation:**

During our audit we noted that the accounts payable module in Xyntax is not being utilized on an accrual basis for cut-off procedures. This has resulted in the accounts payable aged listing report not tying into the general ledger account. In addition, we noted that the accounts payable aged listing includes some cancelled cheques where invoices had not been voided.

**Impact:**

Not reconciling the accounts payable subledger to the general ledger on a monthly basis can result in inaccurate monthly financial reporting and a lack of understanding of how much money is owed to vendors at any given time, which can interfere with cash flows and forecasting.

**Recommendation:**

We recommend that the Nation reconcile the accounts payable sub-ledger to the General Ledger on a monthly basis. Furthermore, we recommend that the accounts payable aged listing is reviewed on a monthly basis to ensure it agrees to the general ledger account and that outstanding invoices are paid or voided as required.

We also recommend that invoices be posted at the date of invoice and not the date of payment. This will improve cut-off procedures for year end accruals and will improve the monthly reconciliation process.

To implement this change, we recommend that moving forward, expenses are entered in Xyntax based on the invoice date and regardless of when posted. By doing this, the accounts payable at the end of each month will more accurately reflect amounts owing.

## **Credit Card Payments**

### **Observation:**

During our audit, we noted that credit card balances are paid when due through automatic payment. We noted that the credit card reconciliations were not completed during the year.

### **Impact:**

Not reconciling to credit card receipts on a regular basis may result in inaccurate classification of expenses and may potentially result in non-band related expenses being paid and going unnoticed for a period of time.

### **Recommendation:**

We recommend that finance staff reconcile the credit card statements on a monthly basis to receipts.

## **Payroll - Wage Rate Approval and Employee and Contractor Contracts**

### **Observation:**

During our audit we noted that there are employees without approved wage rates included in their employee files. There are signed employment contracts for new hires and casual employees, however there are no up to date signed contracts for employees who were hired prior to April 1, 2018. We further noted that the executive management contracts do not currently agree to monthly payments made.

### **Impact:**

A signed contract is necessary to confirm that both the employee or contractor and the employer has settled on a legally binding arrangement for the employee to complete certain duties under a specific title and that in return the employer will provide the employee with remuneration in form of an agreed upon wage for completing these tasks. By not completing a contract, this creates potential for employees to be paid a rate higher than approved by management and therefore could potentially increase wage costs for the Nation.

### **Recommendation:**

All employee personnel files should be updated to include the current employment contract with approved wage rate and should be signed by the employee and an authorized representative of the band. The current approved wage rate letter should be signed by the manager and the employee. All future wage rate changes should be photocopied and included in the personnel file. All contractor contracts should be up to date and adjusted if there are changes in contractor payments.

## **Ahousaht Fishing Corporation**

### **Observation:**

The Ahousaht Fishing Corporation financial statements were not available at the time of the Ahousaht First Nation audit report date for the fiscal years ended March 31, 2020, March 31, 2019, March 31, 2018 and March 31, 2017.

### **Impact:**

As a result we were unable to determine the effect on the Nation of any adjustments that would be necessary as no financial information was available from the Ahousaht Fishing Corporation. This resulted in an audit qualification in the 2017, 2018, 2019 and 2020 audit report.

### **Recommendation:**

We recommend that the Ahousaht Fishing Corporation financial statements are prepared in accordance with IFRS and Ahousaht requires audited balances to be included in the consolidated Nation financial statements.

## **Revenue Records**

### **Observation:**

During our audit we noted that some of the deposits made during the year were posted to other revenue due to the deposit information not being provided to the accounting clerk in a timely manner.

### **Impact:**

This results in inaccurate financial reporting throughout the year. In addition, the deposits may include reimbursements and revenue that may be related to Ahousaht Education Authority which may be inaccurately tracked throughout the year.

### **Recommendation:**

We recommend that financial records are kept in the finance office and that deposit information is provided to the accounting clerk regularly to ensure deposits are posted to the appropriate account and department. If the deposits are related to Ahousaht Education Authority, these should be recorded in the intercompany account and subsequently transferred to the Ahousaht Education Authority.

## **GST on Expenses**

### **Observation:**

Ahousaht received municipal status for GST purposes in the prior year. GST paid in error is fully recoverable, however it is still being expensed in the general ledger when paid.

### **Impact:**

The Nation can submit for a GST rebate and any GST that was paid will be refunded back to Nation which will increase cash flow. GST recorded as an expense instead of a receivable may result in GST paid in error not being collected.

### **Recommendation:**

We recommend that GST paid on purchases should be allocated to a GST receivable account and the Nation can apply for the rebate at the end of the year.

## **Audit and Finance Committee Meeting Documentation**

### **Observation:**

It is our understanding that Ahousaht's Council is also performing the role of Audit and Finance Committee.

### **Impact:**

Financial Administration Law ("FAL") requires the holding of an Audit and Finance Committee meeting. Without separate documentation of this meeting being held Ahousaht could be determined to not be following it's FAL.

### **Recommendation:**

We recommend that the Council document the meeting minutes from the portion of the Chief and Council meeting that the Audit and Finance Committee meeting is held. To simplify the process, Council may want to consider having the first portion of the Chief and Council meeting be dedicated to the Audit and Finance Committee meeting. We recommend separate documentation in the meeting minutes including proposed recommendations which are then motioned and approved in the Council meeting minutes in order to clearly segregate these two roles as is required by Financial Administration Law. The Finance and Audit Committee discussion should include any discussion on the review of financial reports provided by the Controller, reviewing the annual budget, creating and monitoring of internal controls, recommending an independent auditor, reviewing the audit plan, reviewing the audited financial statements, and reporting on the audit to the Council. Audit and Finance Committee for the Nation.

## **Inactive Society**

### **Observation:**

During the course of our audit, we noted that Ahousaht currently has an inactive Society that is still being managed by the Nation and/or related parties.

At the time of our audit, we noted that the Chah-Chum Hii Yup Tiic Miss Society is inactive.

### **Impact:**

Maintaining inactive entities requires the attention of accounting staff to monitor the balances and prepare monthly reconciliations, as well as has the potential to expose the Nation to more legal risk.

### **Recommendation:**

We recommend that Council reviews the purpose of the Society and determines if it is still required. If the entity is not needed, the Nation should take steps to dissolve it.

## **Council Meeting Minutes**

### **Observation:**

During the audit, it was noted that minutes meetings for some council meetings were unavailable and the minutes that were available for the meetings were not reviewed and approved by Council.

### **Impact:**

Without written documentation, it is not possible to confirm what was discussed, what decisions were made and what actions were taken during those meetings. There may be information missed or misunderstood which could be crucial in the event of future legal matters or documenting compliance.

### **Recommendation:**

We recommend that meeting minutes should be taken for all Council meetings. In addition, minutes from the prior meeting should be documented and signed by the Council after they have been approved by the Council at the subsequent meeting.

## **Financial Reporting**

### **Observation:**

It is our understanding that Chief and Council review financial reports at each Chief and Council meeting. During the audit, we noted there were adjustments made to the year-end financial statements which may present inconsistencies with the interim financial reports provided to those charged with governance.

### **Impact:**

Adjustments that are done at year-end may create differences between the monthly financial reports provided to Council and the final year-end financial statements of the Nation. This could potentially impact the decisions that Council is making throughout the year, dependent on the magnitude of the adjustments made.

### **Recommendation:**

We recommend for improvement that monthly financial reconciliations of accounts receivable, accounts payable and intercompany balances are prepared by finance and reviewed by the Controller prior to the financial statements being provided to Council for review at Council meetings. We further recommend that coding to the departmental income statements is reviewed on a monthly basis to ensure expenses are coded to the correct account and department.

We have discussed the matters in this letter with Rob Bullock, Executive Director and received his comments thereon.

We would like to express our appreciation for the co-operation and assistance we have received from Kayla and Noreen during the course of our audit.

We would be pleased to discuss with you further any matters mentioned in this letter at your convenience. This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to any third party who uses this communication.

Sincerely,

*MNP LLP*

**MNP LLP**  
**Chartered Professional Accountants**

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