

Practical Application for First Nations Finance

Financial Reporting

Understanding Year-End Audits



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Why Audits are Important

- Accountability to members and funders.
- Accurate financial reporting.
- Deterrent for fraud.
- Required by funders.
- First Nation audits are public information located here:
<https://fnp-ppn.aadnc-aandc.gc.ca/fnp/Main/Search/SearchFF>



Auditors Work

- The main purpose of the audit work is to make sure our records are right/consistent with accountability being an important goal for the leadership.
- Auditors assess the risk for different areas of our financial reporting and test the records using a sampling approach – they don't test a 100% of the transactions.
- An audit provides a high level of assurance our records are right, but not an absolute assurance. It's not designed to catch every error, only significant ones.



Auditors Report

- Provides an opinion on whether our records are correct.
- Can be “clean”/“unqualified” or “qualified”.
- Qualified opinion is a red flag, we always strive to get a clean opinion.
- In rare instances there’s an adverse (negative) audit opinion or a disclaimer (denial) of opinion.
- Example of auditor reports:



Financial Statements

- Balance Sheet/Statement of Financial Position – assets, debt and accumulated surplus.
- Income Statement/Statement of Operations – funding and other income, expenses and surplus/deficit.
- Cash Flow Statement – shows if the organization was cash positive or negative.
- Statement of Changes in Net Debt.

Notes and Schedules

- Notes to financial statements – provide additional information about balances in the financial statements.
- Audit schedules – income and expenses by program – used by funders for program review and surplus recoveries.
- Schedule of Chief and Council remuneration.

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Thank you for your time



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