

# AUDITED FINANCIAL STATEMENTS – THE STORY THEY TELL







# KEY LEARNING OBJECTIVES



What are audited financial statements?



What story do they tell and who cares anyways?





**WHAT ARE AUDITED  
FINANCIAL  
STATEMENTS?**





# WHAT ARE AUDITED FINANCIAL STATEMENTS?

Audited financial statements give confidence to members about how the Nation's money was spent

An audit is an independent review of a Nation's financial statements or “an outside look at a Nation's finances”.



## WHO DO THE FINANCIAL STATEMENTS BELONG TO?

The auditor provides a report on the financial statements.



The financial statements belong to the Nation.



# FINANCIAL STATEMENT RESPONSIBILITIES







# MANAGEMENT AND STAFF RESPONSIBILITY



Follow good finance and governance practices.



Record information and prepare financial statements.



Review to confirm the accuracy of the information in the financial statements

# FINANCE AND AUDIT COMMITTEE RESPONSIBILITY

Review and provide recommendations to Council on:

- Selection, independence, work and performance of auditor
- Planning, actions and results of audit
- Review of audited financial statements





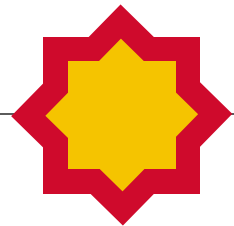


# CHIEF & COUNCIL RESPONSIBILITY

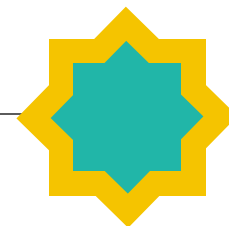
Chief and Council are responsible for ensuring management does their job in the best interests of the community.

Council needs to understand the financial statements to make sure that the Nation is performing well.

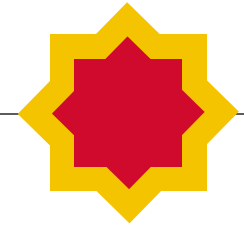
Chief and Council have ultimate responsibility for the financial statements



Establishes good  
financial management  
policies



Appoints auditor



Reviews and approves  
audited financial  
statements

# AUDITOR RESPONSIBILITY



Conducts audit of statements and supporting information



Provides an opinion on “fairness” of the financial statements





**WHAT STORY DO  
AUDITED FINANCIAL  
STATEMENTS TELL?**

# THE STORY THEY TELL



What does the Nation own?



How much does the Nation owe?



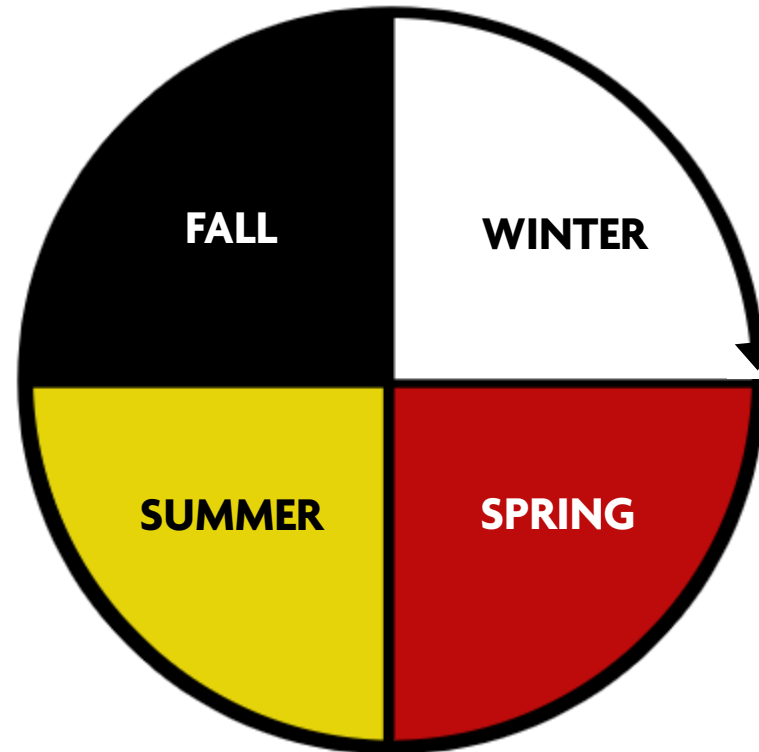
How much money came in?



How did we spend our money?



Where did the money come from  
and where did it go?



Each year is a cycle, in  
nature and in finance.

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The financial statements  
tell the story of the  
Nation's finances over the  
last cycle or year.



# WHAT DO THE AUDITED FINANCIAL STATEMENTS CONTAIN?

Audit Report

Statement of Financial Position

Statement of Operations

Statement of Change in Net Debt or Net Assets

Statement of Cash Flows

Notes and Supporting Schedules



The audit report tells what is in the audit, and gives an opinion on the financial picture.

# AUDIT REPORT



How can I be sure that the financial statements are accurate?



The audit report provides an opinion on the accuracy of the financial picture.



# TYPES OF AUDIT OPINIONS

## UNQUALIFIED OPINION

The financial statements are presented fairly – no major issues

## QUALIFIED OPINION

The auditor could not audit something specific or the statements were not prepared according to certain accounting rules

## DENIAL OF OPINION

The auditor could not audit something important and could not give an opinion

## ADVERSE OPINION

The financial statements were not prepared according to accounting rules and are misrepresented or misstated



A snapshot of what the Nation *owns* and what the Nation *owes*.

## STATEMENT OF FINANCIAL POSITION



### ASSETS

What the Nation owns



### LIABILITIES

What the Nation owes



# UNDERSTANDING THE STATEMENT OF FINANCIAL POSITION

Assets – Liabilities =  
**ACCUMULATED  
SURPLUS**

Accumulated surplus +  
Liabilities =  
**ASSETS**

**ASSETS**  
What we own



**LIABILITIES**  
What we owe

**ACCUMULATED  
SURPLUS**  
The accumulation of  
net assets/net debt  
over many years



The Statement of Operations shows the money that came in and how a Nation spent its money during the fiscal year.

## STATEMENT OF OPERATIONS



How can I tell if we are spending more or less than we should be?



If the revenue is greater than expenses, the Nation has a surplus. If the expenses are greater it has a deficit



# REVENUE vs. EXPENSES



Understand each source of revenue

Operational/administrative expenditures

Which sources are restricted and which are unrestricted?

Project/program expenditures

Did the Nation have the resources to achieve its goals?

Compare to budgeted: overall and by department



The Statement of Change in Net Debt measures whether or not there has been an increase in the Nation's net debt.

## STATEMENT OF CHANGE IN NET DEBT

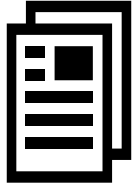


Is our net debt  
increasing or  
decreasing?



Is our net debt  
sustainable or a cause  
for concern?





The Statement of Cash Flows shows where cash came from and how it was spent. *No organization can survive without cash!*

## STATEMENT OF CASH FLOWS



Source of cash

- Government
- Loans
- Own-source revenue



Uses of cash

- Program and service delivery
- Loan repayment
- Capital asset purchases

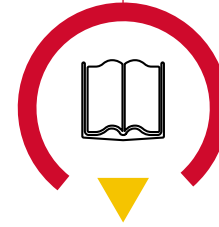


Notes and schedules provide a great deal of additional information that support the financial statements.

## NOTES AND SUPPORTING SCHEDULES




- Nature of operations
- Explains items found on other statements



- Detailed notes
- Schedules of department and program revenues and expenses





**SO WHO CARES  
ANYWAYS?**

# SO WHO CARES ANYWAYS?

## External organizations:

- Financial institutions
- Funding authorities
- Government
- Businesses

Finance and Audit  
Committee

Community  
members

Chief and  
Council

Finance staff and  
administration







# SO WHO CARES ANYWAYS?

## Decision-making

- What can we afford and where do we spend our money?
- Creating budgets for future years

## Accountability

- How was the Nation's money spent compared to last year
- How was the Nation's money compared to budget

A glowing teepee in a snowy landscape under a night sky with the aurora borealis and a forest silhouette.

# QUESTIONS? Let's chat.

First Nations Financial Management Board

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