



**INDIGENOUS  
LEADERSHIP  
DEVELOPMENT  
INSTITUTE<sup>INC.</sup>**

**YEAR-END AND AUDIT  
PREPARATION  
CHECKLIST**

*Executive Training Online*

# AUDITOR'S APPROACH

- Efficiency – auditors look for the most efficient way to confirm our records are correct.
- Risk assessment – greater focus on risky areas makes the audit more efficient and prevents significant errors from not being discovered
- Materiality – not spending time on insignificant transactions and balances
- Matching principle – all revenue and expenses pertaining to the year-end are recorded in correct period

# BALANCE SHEET APPROACH

- Balance sheet shows account balances at a specific point of time - March 31, 2022
- It's easier to confirm account balance on a certain date as opposed to a long list of revenue and expense transactions on the income statement
- Balance sheet and income statement are interconnected – income statement is essentially the difference between opening and closing balance sheet
- Therefore, if my opening and closing balance sheets are correct, my income statement is correct. This is the most efficient way for making sure our records are correct

# RISK ASSESSMENT

- Big picture risk – funding clawbacks and intervention. Big picture risk always overrides other considerations
- Small picture risk – where we are most likely to have errors in our records: allocations to programs, bills received after year-end that belong to the year-end, inexperienced staff making errors

# MATERIALITY

- What amount would get the users change their mind about our records?
- Cost - benefit approach – the time we spend on transactions and balances should be proportionate to their importance

# MATCHING PRINCIPLE

- Most basic accounting law – revenue and expenses that belong to the period should be recorded in the period
- If I recorded funding for a program in 2021-22, I need to make sure all the expenses for that program are recorded in 2021-22 as well
- If I'm supposed to receive funding for 2021-22 but it doesn't get deposited until after year-end, I need to create a receivable for that funding on March 31, 2022



# AUDIT PREPARATION CHECKLIST REVIEW

# THANK YOU!

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