Managing an organization is much like driving a vehicle. There are a lot of moving parts. The steering wheel controls the direction a car goes in. It may look like just a single part, but it is connected to the steering column which is connected to the universal joint, which is connected to the rack, which controls the tires.

In a similar way, the council steers the organization. They use governance structure to provide direction through policy, directives, and band council resolutions. The decision-making process is inter-connected to all moving parts (departments) of the administration.

Cars require fuel to move and arrive safely at a destination. Like the car, an organization requires fuel. In management fuel is revenue, cash, cash equivalents, and credit that fuel the organization. Program and service delivery of the administration is the destination.

The car dashboard has gauges that constantly measure fuel consumption, coolant temperature, oil level, and tire pressure. In management, the dashboard is made up of policies, financial statements, ledger accounts, and other reporting tools.

The most important thing a car needs is fuel which we get at a gas station. Fuel comes as gas, diesel, or electricity. In management, our fuel is revenue. Revenue comes as cash, cheques, and transfer payments. Administration gets its fuel from Indigenous Service Canada, the First Nation Health Authority, Interior Health Authority, Province of BC, and Own Source Revenue.

A car requires maintenance/servicing on a regular basis to keep running. Mechanics are highly specialized and go through tough training to be able to work on vehicles. It takes four years to become a certified mechanic and they must have experience in addition to schooling. In management, we are required by regulation to have our accounts inspected by an auditor. Like a mechanic, an auditor is highly specialized and should take management courses or accounting courses. They have to apprentice with an experienced accounting firm, and then take tests. Like a mechanic, accountants have rules and standards they must follow to be able to work as auditors. The work auditors do is to examine the dashboard and then test accounting procedures and establish that all of the systems are working properly and are up to regulations.

Much like a mechanic will hook the car up to a machine for analysis and the machine tells the mechanic what is going on inside the engine and other systems. An audit acts in the same way. The audit is a snap shot of the management systems at a single point in time and tells the accountant what has been going on in the organization.

The measurements the accountant uses is revenue, expenses, assets, liabilities, and equity. Revenue is the amount of cash coming into the organization like the fuel. Expenses are the like the exhaust. If there is not enough fuel, the engine stops running and the car stalls. If the engine is not running properly the exhaust fumes become too dark and smoky. In management, the exhaust can be like deficits, meaning there not enough fuel is being burnt. Deficits means there is not enough cash or revenues to cover expenses. Surpluses are good, deficits are bad.

When the auditor finished the testing, they will provide their expert opinion on the way management operates the organization. They generally provide a qualified or unqualified audit opinion. A qualified audit is not good. It means that there is something in the system that is out of the ordinary and they can not verify the accounting meets the standard reporting requirements. An unqualified audit is good. It means there is nothing out of the ordinary and all of the systems are operating in a way that the accountant can verify and measure against reporting standards.

In my next report I will discuss assets, liabilities, equity and how they relate to financial statements, which are used for reporting financial performance.

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