
PSAB GAAP for Manitoba Municipalities

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Introduction

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 - Secondment from the OAG
 - 3 years on the Public Accounts of MB
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Presentation Outline

- Why PSAB GAAP?
 - Current Practice in Manitoba
 - Gap Analysis
 - Implementation Considerations
 - Guiding Principles
 - Project Structure
 - Municipalities – Action Steps
 - After 2009?
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Why PSAB GAAP?

- Who is PSAB?
 - Public Sector Accounting Board (of the Canadian Institute of Chartered Accountants)
 - National standard-setting body that regulates accounting principles and practices for **all government levels** across Canada
 - PSAB was created to address inconsistent accounting and reporting practices in the public sector
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Why PSAB GAAP?

- The move to PSAB GAAP was not a decision made by governments
 - PSAB GAAP is a requirement imposed by PSAB for public sector entities
 - Target date for implementation is for the fiscal year starting January 1, 2009
 - One GAAP for all governments - TCA
 - Non-compliance would result in a qualified audit opinion
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Why PSAB GAAP? - Benefits

“Transparency, Understandability and Credibility”:

- Recognized “rules”
 - User orientation
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Why PSAB GAAP? - Benefits

“Accountability, Stewardship and Completeness”:

- ❑ “Tells the full financial picture”
 - ❑ Consolidation of controlled entities
 - ❑ Accrual of all liabilities
 - ❑ Tangible capital assets
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Why PSAB GAAP? - Benefits

“Comparability” to municipalities in other provinces:

- ❑ BC, AB, SK, ON & NS are all currently using PSAB for local governments
 - ❑ They are all currently implementing PS3150
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Current Practice in Manitoba

- Non-GAAP accounting practices
 - “prepared in accordance with accounting principles generally accepted for municipal corporations in Manitoba”
 - Prepared on a modified cash basis
 - No accrual for obligations arising in the current year
 - No amortization of tangible capital assets
 - Standardized year end financial statements
 - Prepared specifically for the Province
 - Municipalities don't use F/S for internal reporting
 - Limited use to the public
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Gap Analysis

- Deloitte conducted interviews with a representative sample (6) of municipalities
 - An objective was to determine the Gap between “what is” and “what needs to be”
 - Second objective was to assess the challenges in implementing PSAB
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Gap Analysis

- The most significant differences between current practice and PSAB are:
 - Tangible Capital Assets (TCA)
 - Government Reporting Entity (GRE)
 - Accrual of Liabilities
 - Financial Reporting
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Tangible Capital Assets

- Includes infrastructure
 - Significant effort will be required to identify all TCA (completeness)
 - “hard to see assets”
 - Determining the historical cost of TCA will be even more difficult (valuation)
 - Missing information
 - Capitalization policies
 - Betterments vs. repairs & maintenance
 - Determination of useful life and residual value
 - Calculation of amortization
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Government Reporting Entity (GRE)

- Consolidation of controlled entities is required
 - Many different shared services among municipal governments
 - Definition and assessment of control and shared control
 - Full or proportionate consolidation
 - Modified equity method
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Accrual of Liabilities

- Liabilities have the following characteristics:
 - Embody a duty or responsibility to others
 - Entails some form of future economic settlement
 - Transactions obligating the government has already occurred
 - Accounts Payable
 - Vacation pay & vested sick leave
 - Accrued interest
 - Environmental liabilities – landfill closure and post closure costs
 - Contingent liabilities
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Financial Reporting

- Full consolidation of controlled entities
 - Full summary presentation & elimination of inter-fund transactions
 - Comparative figures
 - Presentation of net debt on the SFP
 - Statement of Change in Net Debt
 - Statement of Cash Flow
 - Budget figures for the F/S will need to be PSAB compliant
 - Expanded note disclosure
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Implementation Considerations

- From their interviews, Deloitte made a number of other observations
 - These observations are not related to any PSAB GAAP requirement
 - These are issues that arise out of the overall conversion to PSAB
 - The implementation plan will have to deal with these issues
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Implementation Considerations

- Level of PSAB GAAP knowledge among CAO's is varied
 - Will require a significant one time effort to learn PSAB and get the opening balances
 - Training of CAO's & finance staff will be a critical success factor
 - There is a readiness and willingness to convert to PSAB
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Implementation Considerations

- Impact of PSAB GAAP on the budgeting process
 - PSAB does not require PSAB “Financial Plans”
 - Future financial plans may be prepared in accordance with PSAB?
 - PSAB financial plans are not being considered for 2009
 - There are real advantages to adopting PSAB financial plans
 - Effect of PSAB on financial plans is unknown
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Implementation Considerations

- Comparative figures for 2008 will also need to be PSAB compliant
 - Municipalities will have to prepare accruals at December 31, 2007 & 2008
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Implementation Considerations

- Information System Requirements
 - Adopting PSAB does not require changing your accounting software
 - Software used by a municipality should not “make or break” the conversion to PSAB
 - PSAB is still just “debits” & “credits”
 - If your system can accept adjusting journal entries, then your system can prepare PSAB compliant accounting information
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Implementation Considerations

- The target date of 01/01/09 is quickly approaching
 - Timelines and critical steps will have to be communicated on a timely basis
 - All municipalities must meet the target dates
 - Manual on TCA will be out by May 31/07
 - Training sessions on TCA will be available shortly afterwards
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Guiding Principles

- Knowledge Transfer
 - Series of action steps w/o the underlying PSAB GAAP standards is not beneficial
 - Need to transfer PSAB acumen to CAO's
 - Training is a critical success factor
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Guiding Principles

- **Retaining F/S Standardization**
 - Consistency across municipalities will be retained
 - A PSAB GAAP compliant format will be provided

 - **Catch-up Effort vs. Ongoing Sustainability**
 - Significant one-time effort to obtain the opening balances
 - Ongoing effort to sustain PSAB beyond 2009
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Guiding Principles

- Ownership of Implementation
 - Execution of the plan is predominantly the responsibility of the municipalities
 - Leadership, oversight & monitoring resides jointly with IGA and the AMM
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Project Structure

- **Steering Committee**
 - Provide leadership and oversee the project
 - Remain in place until completion of the 2009 F/S
 - Hold the project team accountable to achieve its objectives
 - Comprised of representatives from IGA, AMM, MMAA & others
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Project Structure

- Implementation Work Group
 - Serve as the central technical support to the municipalities
 - Develop PSAB manuals and provide training to CAO's & finance staff
 - Comprised of the Project Manager and other individuals with the necessary combination of skills
 - Also include outside consultants or experts
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Municipalities – Action Steps

- **May 31/07** - Obtain reference manuals on TCA
 - **June/07** - Review reference manuals on TCA
 - **June to Oct/07** - Training sessions on TCA & accruals @ Dec 31/07
 - **Aug 31/07** - Finalize work plan for TCA
 - **Dec 31/07** - Complete identifying TCA
 - **Jan 31/08** - Complete accruals for Dec 31/07
 - **March 31/08** - Complete costing of TCA
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Municipalities – Action Steps

- **April to Dec/08:**
 - Controlled Entities (GRE)
 - Consolidations
 - Environmental Liabilities
 - **Jan to June/09:**
 - Financial Statements
 - **Sept to Oct/09:**
 - Required training?
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After 2009?

- PSAB will continue to issue new and amended GAAP pronouncements
 - The consultant recommended a PSAB Standing Committee for municipalities be formed
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Questions?
