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**Bill Cox**

# **Bill Cox, FCPA, FCA**

## **Partner BDO Canada LLP**

- **PSAB Board Member since 2014**
- **BDO Western Canada Lead for the Public Sector**
- **Practice exclusively with First Nations, Local Governments, Crown Corporations, Government Not-for-Profit Organizations and Private Not-For-Profit Organizations**
- **First Nations client experience ranges from assets \$3.5 million to \$366.5 million**

# Reporting Developments

1997

- Aboriginal Affairs and Northern Development Canada (AANDC) (formerly Indigenous and Northern Affairs Canada) mandates PSAS for all First Nations in Canada

2005

- First Nations Fiscal Management Act

2008

- “[Financial Reporting by First Nations](#)”, issued by CPA Canada (formerly Canadian Institute of Chartered Accountants)

2008

- AANDC enforces full PSAS adoption by 2010

2016

- First Nations Financial Management Board (FMB) issues Local Revenue Financial Reporting Standards



# Accounting and Disclosure Matters

# Financial Reporting Considerations

WHAT IS CURRENTLY THE ISSUE WITH FINANCIAL REPORTING FOR FIRST NATIONS?

- Diversity in practice in the financial reporting between First Nations
  - Inconsistent accounting practices and various interpretations of PSAS across First Nations
- Diversity in audit opinions

# Key Financial Reporting Concerns

1. Government Business Enterprises (GBEs)

2. Accounting for Intangible Assets

3. Disclosure of Budget Information





# Government Business Enterprises

## Current Requirement

- Many First Nations hold investments in GBEs
- GBEs are required to apply International Financial Reporting Standards (IFRS®) under PSAS
- GBEs are to be reported on First Nations financial statements using the modified equity method

## Issue

- **Application of standards is inconsistent across First Nations**
- Most apply Accounting Standards for Private Enterprises (ASPE) instead of IFRS
- IFRS disclosures are seen as burdensome and not adding value to the end user
- Consolidation of GBEs using modified equity provides little information at the consolidated level

# Government Business Enterprises

## Issue (continued)

- First Nations are concerned with disclosing summarized financial statements of GBEs
- Many GBEs are incurring losses (for many years)

## Current practice

- Diversity in how GBEs are recorded
  - ⑩ Modified equity basis versus line by line consolidation
- Diversity in audit opinions
  - ⑩ Some auditors qualify while other's don't
- Inconsistent treatment of GBEs that have a negative value



# Accounting for Intangible Assets

## Current Requirement

- PSAB's Conceptual Framework states that recognition of intangible assets is prohibited

## Issue

- **First Nations financial statements do not report valuable assets such as fishing licenses and permits, and forestry permits**
- The debt used to acquire these assets cannot be matched with a corresponding asset which is instead reflected as an expense
- Understates assets — may mislead users
- No guidance on recognition of community aboriginal rights and titles

# Accounting for Intangible Assets

## Current Practice

- Diversity in how intangible assets are recorded
  - ⑩ Asset versus expense
- Diversity in audit opinions
  - ⑩ Some auditors qualify the recognition of intangibles as assets – others don't

## What Can Be Done

- First Nations and auditors can work together to
  - ⑩ Disclose information about intangible assets, including their value
  - ⑩ Increase awareness of the current accounting for intangible assets

# Disclosure of Budget Information

## Current Requirement

- Standards require disclosure of budget information on the Statement of Operations and the Statement of Changes in Net Debt

## Issue

- **Many First Nations financial statements do not present any budget information**
- Challenging to disclose consolidated budget information that adheres to PSAS requirements
- Diversity in practice in how auditors address missing budget information. Disclosure vs. qualified opinion



**Back to intangibles...**

# Intangible Continuum

