

PSAB/Asset Management

NEWSLETTER NO. 12

Getting Organized to Implement PSAB 3150 by Dan Cowin, Executive Director, MFOA

In our on-going discussions with municipalities, it is clear that municipalities are at varying stages in the implementation process. While it appears that 2009 is still a ways off, time is of the essence. This Newsletter is intended to reiterate material that is available that will be useful in establishing a project work plan. It is intended to be useful not only for municipalities who are in the very early stages of implementation but also to serve as a process check for those municipalities that are far advanced.

I also want to update you on the experience of the City of Winnipeg who just recently published their 2006 financial statements on a full accrual basis. There is a report, Capital Assets Review by the City of Winnipeg auditor that may be of assistance (see below for further discussion and link).

For those who are uncertain about where to begin or how to create an implementation plan and how to manage it. A number of useful resources are available to assist in planning for PSAB implementation. These include:

- [OMBI's Top Ten List](#): For those who have not yet started, the OMBI top ten list of things to do right now is still relevant and useful.
- Chapters 3 and 4 of [OMBI's Reference Manual](#) deal explicitly with the issue of planning and managing the implementation process. Chapter 3 deals with how to plan your project and chapter 4 with how to manage your project.
- Chapters 3 and 4 of the [Implementation Guide](#) produced by the Public Sector Accounting Group. Chapter 3 deals with tangible capital asset implementation planning and chapter 4 discusses the development of a comprehensive tangible capital asset policy. Appendix A of this document contains a generic implementation plan that identifies key steps under the following headings:
 - Project initiation
 - Detailed scoping and planning
 - Implementation phase
 - Reporting

Appendix A is reproduced below in its entirety for your information and convenience.

The sources identified above offer good advice for building a PS 3150 implementation plan. A key part of any plan must involve identifying your information needs and information sources.

A number of our Newsletters have addressed these issues in part. For example, in [Newsletter 10](#), we listed information that is required to be disclosed by PS 3150.40 and PS 3150.42.

In addition, Appendix B of OMBI's [Municipal Guide to Accounting for Tangible Capital Assets](#) provides a sample spreadsheet for an asset inventory. It offers guidance on what information to collect and how to organize it. We will deal with this issue in more detail in an upcoming edition of the Newsletters.

Finally, Newsletter 13 will provide an overview of how to plan your implementation project.

Things to Do:

- **Get Informed**
 - There is a growing body of resource material available to you with regard to implementing PS 3150. See the [MFOA/AMCTO website](#) for a listing of these resources.
 - PS 3150 of the PSA Handbook is a mere 48 paragraphs. It is not a long or difficult read. It should be considered a “must read” for this work.
- **Talk to Senior Management and Council**
 - Implementing PS 3150 is a job that will cut across departmental boundaries. Generally, the information needed to complete asset inventories and determine the condition of assets is not information that will be found in the finance department of your municipality. You will need the assistance of the Works Commissioner and other department heads to gather the needed information on assets.
 - Having political commitment is essential. If Council understands the work to be done and is supportive, resources and interdepartmental cooperation will be easier to obtain.
 - You might wish to view the [presentation](#) prepared by the Government Finance Officers' Association of British Columbia (GFOA BC) given at their 2007 Conference last June. Like several of the presentations on the MFOA/AMCTO website, it offers a good overview of TCA accounting.
- **Get Your Auditor On-side**
 - PS 3150 is a mere 48 paragraphs. It does not answer every question that will arise with regard to tangible capital asset accounting and reporting. Reasonable decisions will need to be made where the standard might support a variety of approaches. Have your auditor involved as you make judgment calls around tangible capital asset reporting. Get confirmation from the auditor that your approach is reasonable before expending time and energy pursuing a particular strategy.

- In April, 2007, the City of Winnipeg underwent a [Capital Assets Review](#) that was carried out by the City Auditor. The review was intended to determine whether:
 - the appropriate process is in place to ensure the accuracy and completeness of the information on capital assets being recorded, amortized and reported on the financial statements is compliant with Section PS 3150 – Tangible Capital Assets of the *Public Sector Accounting Handbook*; and
 - the appropriate capital asset information is being developed and maintained to provide the City with an adequate foundation to build an effective sustainable asset management program, consistent with best practices.
 - With regard to the PSAB component of the audit, the City auditor had four key issues that were of primary concern with regard to tangible capital assets:
 - *Completeness* – that there are no unrecorded assets
 - *Existence* – that an asset of the City exists at a given date
 - *Ownership* – that an asset is owned by the City at a given date
 - *Valuation* – that an asset is recorded at an appropriate value
 - These will be some of the key issues your auditor will raise with you. You should work closely with your auditor to ensure that you adopt approaches that your auditor will see as reasonable. Your implementation plan will need to address these issues as well. For an additional flavour of the kinds of issues the City of Winnipeg auditor raised, see Appendix A of the [Capital Assets Review](#).
- **Focus on First Things First**
 - You should begin with establishing your capitalization policy and building your inventory of assets. Your capitalization policy will establish what you have to inventory.
 - Building an asset inventory will require the cooperation of asset managers throughout the organization as they will in all likelihood be the sources of information and the gate keepers to ensure proper asset accounting.
 - You do not necessarily need to know how you will value your assets or how you will depreciate them to begin the process of creating an asset inventory with condition ratings. With regard to the inventory, start by answering these six key questions:
 - What do you have?
 - Where is it?
 - When did you get it?
 - What did it cost?
 - What is its condition?
 - What is its expected remaining service life?

- Our Newsletters will soon begin a series on issues related to the full range of assets. We expect to begin this series with a discussion of issues related to the treatment of buildings.
- **Have Confidence in Your Judgment**
 - As noted above, PS 3150 is relatively brief and was never intended to provide answers to the myriad of questions that will arise with regard to tangible capital asset accounting and reporting.
 - Instead, the standard provides broad principles and definitions which are meant to provide guidance. You will need to exercise judgment from time to time. If you and your auditor agree that your approach to an issue (e.g. valuation) is reasonable, you are on solid ground.
- **Keep in Touch with your Associations**
 - Both MFOA and AMCTO are providing support to all municipalities with financial resources provided by the Province of Ontario to assist enhanced training for PSAB and asset management practices.
 - Talk to your associations about your progress and your needs. While we won't be able to meet every need or answer every question, we are here to help and hearing from you helps us to determine where to apply or resources.

Things to Avoid:

- **Don't Over-plan Your Project**
 - No implementation plan will anticipate all the issues that can arise. Your plan needs to be flexible. Good planning at the front end of this project can save time and resources by avoiding mistakes. On the other hand, too much time spent trying to craft the perfect plan, rather than doing the work, will be counter productive.
- **Don't Worry if You Don't Have All the Answers Today**
 - Many members ask us questions about how PSAB will affect municipal budgets. We are working on this topic and expect to provide useful information later this year or early next year. However, this information is not needed in order to start work on implementing PS 3150.
- **Don't Wait Any Longer to Create Asset Inventories**
 - Most municipalities that have undertaken this work tell us that the job of building asset inventories is painstaking and laborious. It will take a good deal of effort to obtain all the needed information.

Appendix A: Guide To Accounting And Reporting For Tangible Capital Assets, Public Sector Accounting Group

Project Initiation

- Document project and obtain project approval
- Establish the steering committee
- Prepare detailed project plan(s)
- Establish project team
 - Project sponsor
 - Project manager
 - Project team (team leader/director and other staff)
- Identify required resources
- Obtain required resources

Detailed Scoping and Planning

- Document existing processes, procedures and legislative requirements (including existing accounting policies and systems)
- Identify proposed changes or areas of change (including proposed accounting policies and systems)
- Systems planning
- Identify structure/ownership of proposed systems
- Identify system requirements (existing and new systems)
- Identify control requirements
- Identify interfaces required
- Develop the chart of accounts
- Develop interfaces (if applicable)
- Develop new reporting requirements
- Audit
- Liaise with external auditor to assess impact of changes on audit process
- Identify role of internal audit during the change process
- Develop communications plan
- Prepare training strategies (for example, project team, accrual accounting and computer literacy)
- Develop change management strategy

Implementation Phase

- Initiate project management responsibilities and reporting structures
- Implement new systems/system changes
- Implement interfaces
- Develop detailed accounting policies
- Develop/amend supporting financial management policies and procedures
- Implement roles and responsibilities
- Deliver training

- Obtain approval to switch to new systems
- Implement other phased projects (for example, the recognition of specific categories of assets or liabilities may be phased)

Reporting

- Develop improved external and internal reporting
- Develop financial and non-financial performance measures
- Review controls and procedures that support the integrity of financial and non financial information

As always, we invite you to let us know if there is an issue that you would like to see addressed in the Newsletters. We are also interested in having our members submit anything that you come across with regard to tangible capital assets, financial reporting, asset management or long-term financial planning including any reports or presentations that you have given or prepared that could be of use to others.

For more information and resources regarding tangible asset management, go to [PSAB/Asset Management](#), or contact:

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