

A photograph showing a group of business professionals in an office setting, gathered around a table and looking at documents and a laptop.

BCPNP Net Worth Verification

A collage of Canadian currency, including a two-dollar coin, a five-cent coin, and a purple and green banknote.

Third Party Financial Information Review

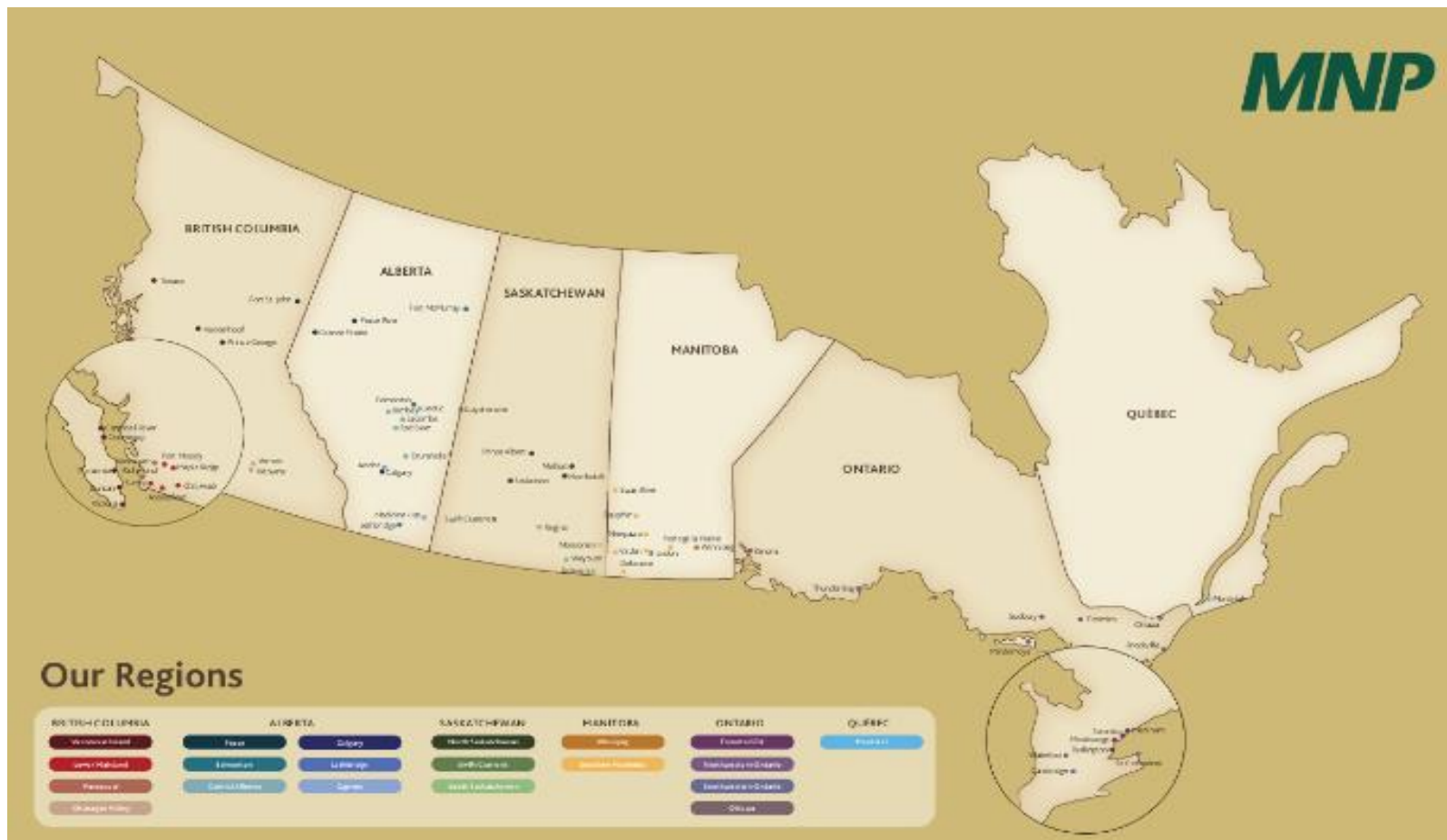


Oct 2017

Agenda

- Who are we – about MNP
- MNP's Net Worth Verification Services
- Common Practices
- Lessons Learned

Who are we - about MNP



Who are we - about MNP

- 5th largest accounting and consulting firm in Canada, 3rd largest in BC
- More than 4,000 team members across the country
- 80+ offices across Canada from Halifax to Campbell River
- Services include:
 - Accounting & Audit
 - Tax
 - Consulting
 - Valuation
 - Corporate Finance
 - Forensic
 - Due Diligence
 - Enterprise Risk Services

MNP's Net Worth Verification Services

BCPNP

- Conducted a pilot project for BCPNP in 2014
- Provided advice to BCPNP regarding the review procedures and standards, required documentation and reporting template, etc.
- Qualified supplier for BCPNP Net Worth Verification
- Assisted over 100 BCPNP applicants since November 2015

Also qualified supplier for NSNP, NBPNP and SINP

MNP's Net Worth Verification Services



Pre-registration Review (Pre-Assessment)

- Review the applicant's financial information prior to online registration
- Provide review comments on the completeness / quality of applicant's supporting documents
- Provide recommendations for improvement

Post-registration Review (Net Worth Verification)

- Conflict Check
- Understand background information.
- Provide a detailed list of required documents
- Perform verification procedures
- Prepare draft report and communicate with Applicant / Applicant's representative before submission
- Issue final report to BCPNP office

Common Procedures

- Though it is NOT an audit, it has similar assertions:
 - Accuracy
 - Completeness
 - Existence
 - Cut-off
 - Classification
 - Right & Obligations
 - Valuation
 - Disclosure
 - Occurrence

Common Procedures

- Scope
 - Bank & Deposits;
 - Real Properties;
 - Investments
 - Pensions
 - Businesses
 - Other Assets
 - Liabilities
 - Accumulation of funds
 - Cost of each asset

- Limitation
 - Remote work
 - Rely on other professionals' work
 - Inherent risk
 - Various foreign environments

Lessons Learned

Generic Observations:

- Reported net worth is incomplete
- Information from different sources are inconsistent, e.g. individual tax return V.S. payroll records or income statement
- Net worth owned by Individual and by Corporate is not distinguished, e.g. land reported as real properties, which has been reflected in the Business' financial statements as well.
- Mathematical errors
- Inconsistent foreign currency rates are used
- Value in original currency is not disclosed

Lessons Learned

Bank & Deposits:

- Inconsistent cut-off dates
- No explanation on unusual large transactions
- Personal banks accounts are mixed up with business bank accounts

Lessons Learned

Real Properties:

- Purchase contract / invoice / tax payment records are not available
- Market value per the Valuation report (even issued by a certified appraiser) is not reasonable
- Cost per the purchase records is not reasonable

Lessons Learned

Businesses:

- Registered capital V.S. Paid-in Capital
- Financial statements are not audited by CPA;
- No consolidation for a group of companies;
- Share held in trust – no explanation / supporting documents;
- Variances between book value (net assets) and market value (valuation results)
- Information is not consistent between BS, P&L, cash flow statement, and other supporting documents (e.g. tax).

Lessons Learned

Liabilities:

- Reported liabilities are incomplete

Lessons Learned & Recommendations

Accumulation of Funds

The most challenging session in the application & verification process – unfortunately this is not realized by most applicants.

Key challenges

- Records / supporting documents are not available;
- Gaps between the original amount of reported net worth and accumulation of funds;
- Inconsistency between different sources;
- Lack of robust evidence for income from self-owned business;
- Stories that are hard to believe but true (especially in BRIC countries...)

Q & A



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For more information, please visit:

<http://van.mnpbusiness.ca/bcpnp/#sthash.rGj7vm3a.4capFVSB.dpbs>

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