

PRIVY COUNCIL OFFICE

FUTURE-ORIENTED FINANCIAL STATEMENTS

FOR THE YEARS ENDING MARCH 31 2010 AND MARCH 31 2011

Privy Council Office Future-Oriented Financial Statements (Unaudited)

Statement of Management Responsibility

Responsibility for the compilation, content, and presentation of the accompanying future-oriented financial information for years ending March 31, 2010 and 2011 rests with departmental management. The future-oriented financial information has been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector. The future-oriented financial information is submitted for Part III of Estimates (Report on Plans and Priorities), and will be used in the department's Departmental Performance Report to compare with actual results.

Management is responsible for the integrity and objectivity of the information contained in future-oriented financial information and for the process of developing assumptions. Assumptions and estimates are based upon information available and known to management at the time of development, reflect current business and economic conditions, and assume a continuation of current governmental priorities and consistency in departmental mandate and strategic objectives. Much of the future-oriented financial information is based on these assumptions, best estimates, and judgment and gives due consideration to materiality. At the time of preparation of the future-oriented statement of operations, management believes the estimates and assumptions to be reasonable. However, as with all such assumptions, there is a measure of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends.

The actual results achieved for the fiscal years covered in the accompanying future-oriented financial information will vary from the information presented and the variations may be material.

Wayne G. Wouters
Clerk of the Privy Council and
Secretary to the Cabinet

Marilyn MacPherson
Assistant Deputy Minister
Corporate Services

Ottawa, Ontario

February 15, 2010

Privy Council Office Future-Oriented Statement of Operations (Unaudited)

for the years ending March 31

Expenses (Note 6)	Forecast 2011	Forecast 2010*
	(in thousands of dollars)	
Prime Minister and Portfolio Ministers Support and Advice	74,316	68,955
Cabinet and Cabinet Committees' Advice and Support	16,989	16,970
Public Service Leadership and Direction	3,592	3,644
Commissions of Inquiry	110	13,310
Internal Services	72,814	86,378
Total Expenses	167,821	189,257
Revenues (Note 7)		
Prime Minister and Portfolio Ministers Support and Advice	-	-
Cabinet and Cabinet Committees' Advice and Support	-	-
Public Service Leadership and Direction	-	-
Commissions of Inquiry	-	-
Internal Services	25	25
Total Revenues	25	25
Net Cost of Operations	167,796	189,232

The accompanying notes form an integral part of the future-oriented financial statement of operations.

* The forecast for the fiscal year 2009-10 includes actual amounts from April 1, 2009 to November 30, 2009.

Privy Council Office

Notes to Future-Oriented Financial Statements (Unaudited)

for the year ending March 31

1. Authority and Purpose

The Privy Council Office is a division of the Public Service of Canada as set out in column 1 of Schedule I.1 of the *Financial Administration Act* and reports to Parliament through the Prime Minister.

The Privy Council Office reports directly to the Prime Minister and is headed by the Clerk of the Privy Council and Secretary to the Cabinet. The Clerk is also the Head of the Public Service. The mandate of the Privy Council Office is to serve Canada and Canadians by providing the best non-partisan advice and support to the Prime Minister, ministers within the Prime Minister's portfolio and Cabinet. Privy Council Office's work requires close and continuous contact with other federal departments and agencies to support their ability to work effectively and to ensure overall consultation and coordination.

Commissions of Inquiry established under the *Inquiries Act* are designated as departments under the *Financial Administration Act* and the Prime Minister is designated as the "appropriate Minister" under that same Act. The Privy Council Office provides administrative and financial management support to commissions. In 2009-10, the Privy Council Office provides support to the following commissions: the Commission of Inquiry into the Investigation of the Bombing of Air India Flight 182, the Commission of Inquiry into the Actions of Canadian Officials in Relation to Abdullah Almalki, Ahmad Abou-Elmaati and Muayyed Nureddin, the Commission of Inquiry into Certain Allegations Respecting Business and Financial Dealings Between Karlheinz Schreiber and the Right Honourable Brian Mulroney and the Commission of Inquiry into the Decline of Sockeye Salmon in the Fraser River.

2. Underlying Assumptions

The future-oriented statement of operations has been prepared:

- As at November 30, 2009
- On the basis of government policies, government priorities, and external environment at the time the future-oriented financial information was finalized.
- According to the requirements of Treasury Board Accounting Policies which are based on Canadian generally accepted accounting principles for the public sector.
- On the basis that the resources provided will enable the Privy Council Office to deliver the expected results specified in the Report on Plans and Priorities.
- On the basis of historical costs and trend analysis.

Privy Council Office Notes to Future-Oriented Financial Statements (Unaudited)

for the year ending March 31

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to accurately forecast final results from 2009-10 to 2010-11, actual results achieved are likely to vary from the forecast information presented, and this variation could be material.

Once the Report on Plans and Priorities is presented, the Privy Council Office will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates.

4. Significant Accounting Policies

The future-oriented financial information has been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector. Significant accounting policies are as follows:

- a) **Parliamentary appropriations:** The Privy Council Office is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the department do not parallel financial reporting according to generally accepted accounting principles since appropriations are based on modified cash basis. Consequently, items recognized in the statement of operations are not necessarily the same as those provided through appropriations from Parliament. Note 5 provides a high-level reconciliation between the bases of reporting.
- b) **Net Cash Provided by Government** – The Privy Council Office operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Privy Council Office is deposited to the CRF and all cash disbursements made by the Privy Council Office are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.
- c) **Forecasted revenues:**
 - Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
 - Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

Privy Council Office

Notes to Future-Oriented Financial Statements (Unaudited)

for the year ending March 31

- d) Forecasted expenses** – these are recorded when the underlying transaction or expense occurred subject to the following:
- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
 - Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
 - Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, legal services and worker's compensation coverage are recorded as operating expenses at their estimated cost.
- e) Employee future benefits:**
- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. The Privy Council Office's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the Privy Council Office to make contributions for any actuarial deficiencies of the Plan.
 - ii. Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the government as a whole.
- f) Contingent liabilities** are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is determinable and an amount can be reasonably estimated, a forecast and notation is, accordingly, made.

Privy Council Office Notes to Future-Oriented Financial Statements (Unaudited)

for the year ending March 31

- g) **Tangible capital assets** having an initial cost of \$5,000 or more are recorded at their acquisition cost. The Privy Council Office does not capitalize intangibles assets, works of art and historical treasures that have cultural, aesthetic or historical value. Work in progress is only amortized when the related projects are completed and their amortization is based on the estimated useful life of the asset. Amortization of capital assets is done on a straight-line basis over the estimated useful life of the capital asset as follows:

Asset Class	Amortization Period
Machinery and equipment	5 to 15 years
Informatics hardware	3 to 5 years
Informatics software	3 to 5 years
Other equipment	10 to 15 years
Motor vehicles	3 to 10 years

- h) **Measurement uncertainty:** The preparation of the future-oriented financial information requires management to make estimates and assumptions that affect the reported amounts of all the revenues and expenses reported in the future-oriented financial statements. Assumptions are based upon information available and known to management at the time of development, reflect current business and economic conditions, and assume a continuation of current governmental priorities and consistency in departmental mandate and strategic objectives. At the time of preparation of this statement of operations, management believes the estimates and assumptions to be reasonable. Nonetheless, as with all such estimates and assumptions, there is a measure of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends.

5. *Parliamentary Appropriations*

The Privy Council Office receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Privy Council Office has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following table:

Privy Council Office

Notes to Future-Oriented Financial Statements (Unaudited)

for the year ending March 31

a) Reconciliation of net cost of operations to current year appropriations used:

	Forecast 2011	Forecast 2010
	(in thousands of dollars)	
Net cost of operations	167,796	189,232
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (less):		
Amortization of tangible capital assets	(2,248)	(2,305)
Loss on disposal of tangible capital assets	(74)	(104)
Services provided without charge by other government departments (Note 10)	(21,023)	(21,259)
Prepaid expenses	(771)	(381)
Vacation pay and compensatory leave	143	(730)
Employee severance benefits	403	(2,064)
Refund and adjustment of previous year expenditures	42	42
Other	819	430
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add:		
Acquisition of tangible capital assets	1,604	1,760
Appropriations available for use (forecast)	146,691	164,621

b) Appropriations provided and used:

	Forecast 2011	Forecast 2010
	(in thousands of dollars)	
Vote - Operating expenditures	129,027	151,591
Statutory amounts	14,957	15,656
Less:		
Appropriations available for future years	18	18
Lapsed appropriations: Operating	-	4,962
Sub-total	143,966	162,267
Other anticipated additional authorities	2,725	2,354
Appropriations available for use (forecast)	146,691	164,621

Privy Council Office

Notes to Future-Oriented Financial Statements (Unaudited)

for the year ending March 31

6. *Forecast Expenses*

The following table presents details of forecast expenses by category:

	Forecast 2011	Forecast 2010
	(in thousands of dollars)	
Salaries and employee benefits	116,663	122,353
Professional and special services	18,417	26,529
Accommodation	12,419	12,749
Transportation and telecommunications	5,267	7,588
Acquisition of machinery and equipment	4,035	6,341
Information	2,610	3,757
Amortization of tangible capital assets	2,248	2,305
Rental	2,206	2,603
Purchased repair and maintenance	1,762	2,537
Utilities, materials and equipment	1,231	1,774
Prepaid expense	771	381
Other	118	188
Loss on disposal of tangible capital assets	74	104
Transfer payments	0	48
Total	167,821	189,257

7. *Forecast Revenues*

The following table presents details of forecast revenues by category:

	Forecast 2011	Forecast 2010
	(in thousands of dollars)	
Gain on disposal of tangible assets	18	18
Miscellaneous revenues	4	4
Gain on foreign exchange	2	2
Regulatory fees	1	1
Total	25	25

8. *Employee Benefits*

a) Pension benefits: The Privy Council Office's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plans benefits and are indexed to inflation.

Privy Council Office Notes to Future-Oriented Financial Statements (Unaudited)

for the year ending March 31

Both the employees and the department contribute to the cost of the Public Service Pension Plan. The 2010-11 estimated expense amounts will be \$14,380,097 (estimated amount in 2009-10 is \$14,668,676).

The Privy Council Office's responsibility with regard to the plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

b) Severance benefits: The Privy Council Office provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	Forecast 2011	Forecast 2010
	(in thousands of dollars)	
Accrued benefits obligation, beginning of year	20,487	18,423
Expense for the year	1,179	4,246
Benefits paid during the year	(1,582)	(2,182)
Accrued benefits obligation, end of year	20,084	20,487

9. Contingent liabilities

Claims and litigation

Claims have been made against the Privy Council Office in the normal course of operations. Legal proceedings for claims will total approximately \$50,000 in 2010-2011 (\$550,000 in 2009-2010). Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statement of operations.

Privy Council Office Notes to Future-Oriented Financial Statements (Unaudited)

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10. Related party Transactions

The Privy Council Office is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Privy Council Office enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the department will have received services obtained without charge from other Government departments.

Services provided without charge: During the year, the Privy Council Office is forecasted to receive without charge from other government departments, accommodation, legal fees, the employer's contribution to the health and dental insurance plans and worker's compensation coverage. These services without charge have been recognized in the Privy Council Office's Statement of Operations as follows:

	Forecast 2011	Forecast 2010
	(in thousands of dollars)	
Accommodation	12,399	12,146
Employer's contribution to the health and dental insurance plans	7,912	8,071
Worker's compensation coverage	5	10
Legal services	707	1,032
Total	21,023	21,259

The government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in the Privy Council Office's Statement of Operations.