

# PRIVY COUNCIL OFFICE

FUTURE-ORIENTED STATEMENT OF OPERATIONS

FOR THE YEARS ENDING MARCH 31, 2014 AND MARCH 31, 2015

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# Privy Council Office

## Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

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### Statement of Management Responsibility

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Departmental management is responsible for the future-oriented statement of operations, including responsibility for the appropriateness of the assumptions on which this statement is prepared. This statement is based on the best information available and assumptions adopted as at September 30, 2013 and reflects the plans described in the *Report on Plans and Priorities*.

This statement has not been subject to an external audit or review but has been shared with the Privy Council Office Departmental Audit Committee and it reflects the committee members' comments.

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

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Michelle Doucet  
Assistant Deputy Minister  
Corporate Services Branch  
Chief Financial Officer

Ottawa, Canada  
February 26, 2014

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# Privy Council Office

## Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

	Estimated Results 2014	Planned Results 2015
<b>Expenses (Note 6)</b>	(in dollars)	
Advice and support to the Prime Minister and portfolio ministers	63,315,489	62,844,232
Advice and support to Cabinet and Cabinet committees	15,127,542	14,281,019
Public service leadership and direction	2,932,047	3,116,648
Internal services	64,894,821	61,295,147
<b>Total Expenses</b>	<b>146,269,899</b>	<b>141,537,046</b>
<b>Revenues</b>		
Miscellaneous	22,012	32,546
Internal Services Support	75,000	75,000
Revenues earned on behalf of Government	(8,579)	(8,313)
<b>Total Revenues</b>	<b>88,433</b>	<b>99,233</b>
<b>Net cost operations</b>	<b>146,181,466</b>	<b>141,437,813</b>

Information for the year ended March 31, 2014 includes actual amounts from April 1, 2013 to September 30, 2013. The information for the remainder of the fiscal year 2013-14 and for the fiscal year 2014-15 is based on forecasts.

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

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

### **1. Authority and Objectives**

The Privy Council Office is a division of the federal public administration 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 professional, non-partisan advice and support to the Prime Minister, the ministers within the Prime Minister's portfolio and Cabinet. The Privy Council Office supports the development of the Government of Canada's policy and legislative agendas, coordinates responses to issues facing the Government and the country, and supports the effective operation of Cabinet.

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 of inquiry. There are no active Commissions of inquiry in the 2013-14 fiscal year and there are no Commissions of inquiry currently planned for 2014-15.

To achieve its strategic outcome and to deliver results for Canadians, the Privy Council Office articulates its plans and priorities based on the core programs below.

#### *1.1 Advice and support to the Prime Minister and portfolio ministers*

The Privy Council Office provides professional, non-partisan advice and support to the Prime Minister and portfolio ministers on the full spectrum of issues and policies they address on a daily basis. The Privy Council Office also provides advice and support on: the structure and organization of government; government-wide communications; the Governor-in-Council appointments system; the development and implementation of parliamentary and legislative programs; democratic reform; and legal issues. In addition, the Privy Council Office provides administrative advice and support pertaining to the budgets of the Prime Minister's Office and those of the offices of portfolio ministers.

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

### *1.2 Advice and support to Cabinet and Cabinet committees*

The Privy Council Office supports the efficient and effective functioning of Cabinet and Cabinet committees on a day-to-day basis. As part of this work, the Privy Council Office coordinates departmental policy, legislative and government administration proposals going to Cabinet and its committees; performs a challenge function during the policy development process; and prepares briefing materials and accompanying policy analysis to facilitate Cabinet's decision-making process. The Privy Council Office also provides a secretariat function for Cabinet and its committees, which includes scheduling and support services for meetings, as well as preparation and distribution of Cabinet documents. In addition, the Privy Council Office supports effective policy integration across the federal government so that proposals take into account the full range of departmental perspectives and issues related to implementation, such as communications, parliamentary affairs, intergovernmental relations and budget impacts.

### *1.3 Public service leadership and direction*

The Privy Council Office supports the development and maintenance of a high-quality Public Service that meets the highest standards of accountability, transparency and efficiency. As part of this work, the Privy Council Office provides advice to the Clerk of the Privy Council and the Prime Minister on the renewal of public service and government operations in order to position the Public Service workforce and workplace for the future as more adaptable, innovative and streamlined. The Privy Council Office also supports the human resources management of senior leaders across the government, including performance management and leadership development.

### *1.4 Commissions of inquiry*

The Privy Council Office provides commissions of inquiry with financial and administrative support. As part of this work, the Privy Council Office can, when necessary, provide ongoing administrative advice and support in the following areas: staffing; acquisition services; contracting; financial services; access to funding; records management; payroll support; publishing information online; translation; legal services; security; and systems support.

### *1.5 Internal services*

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

### **2. Methodology and Significant Assumptions**

The future-oriented statement of operations has been prepared on the basis of the government priorities and the plans of the Privy Council Office as described in the *Report on Plans and Priorities*.

The information in the estimated results for fiscal year 2013-14 is based on actual results as at September 30, 2013 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2014-15 fiscal year.

The main assumptions underlying the forecasts are as follows:

- (a) The Privy Council Office's activities will remain substantially the same as for the previous year and no commissions of inquiry are forecasted for either year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on forecasted or historical information.

These assumptions are adopted as at September 30, 2013.

### **3. Variations and Changes to the Forecast Financial Information**

While every attempt has been made to forecast final results for the remainder of 2013-14 and for 2014-15, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this future-oriented statement of operations, the Privy Council Office has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented statement of operations and the historical statement of operations include:

- (a) The timing and amounts of asset acquisitions and disposals may affect gains/losses and amortization expense.
- (b) Implementation of new collective agreements.

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

(c) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the *Report on Plans and Priorities* is presented, the Privy Council Office will not be updating the forecasts for any changes in financial resources made in ensuing *supplementary estimates*. Variances will be explained in the *Departmental Performance Report*.

### **4. Summary of Significant Accounting Policies**

The future-oriented statement of operations has been prepared using Government's accounting policies that came into effect for the 2011-12 fiscal year which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

#### (a) Expenses

Expenses are recorded on an accrual basis. Expenses for the Privy Council Office's operations are recorded when goods are received or services are rendered including services provided without charges for accommodation, employee contributions to health and dental insurance plans, and worker's compensation which are recorded as expenses at their estimated cost. Vacation pay and compensatory leave as well as severance benefits are accrued and expenses are recorded as the benefits are earned by employees under their respective terms of employment.

Expenses also include provisions to reflect changes in the value of assets, including provisions for bad debt on accounts receivable, and liabilities, including contingent liabilities to the extent the future event is likely to occur and a reasonable estimate can be made.

Expenses also include amortization of tangible capital assets which are capitalized at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset.

#### (b) 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 that gave rise to the revenue takes place.

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

Revenues that are non-respendable are not available to discharge the Privy Council Office's liabilities. While the Clerk of the Privy Council and Secretary to the Cabinet is expected to maintain accounting control, he has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the Privy Council Office's gross revenues.

### (c) Employee future benefits

Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer pension plan administered by the Government. 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. The Privy Council Office's responsibility with regard to the Plan is limited to its contribution. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. 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.

### (d) Contingent liabilities

Contingent liabilities are potential liabilities that 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 not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the future-oriented statement of operations.

### (e) Inventory

Inventory consists of parts, materials and supplies held for future program delivery and not intended for resale. Inventory is valued at cost using the specific identification method. If there is no longer any service potential, inventory is valued at the lower of cost or net realizable value.

### (f) Tangible capital assets

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, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.



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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

<b>Asset Class</b>	<b>Amortization Period</b>
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

Work in progress are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

### (g) Measurement uncertainty

The preparation of this future-oriented statement of operations requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses reported in the future-oriented statement of operations. At the time of the preparation of this statement, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the future-oriented statement of operations in the year they become known.

## **5. Parliamentary Authorities**

The Privy Council Office is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the Privy Council Office do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Items recognized in the Future-Oriented Statement of Operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, the Privy Council Office has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

### a) Reconciliation of net cost of operations to requested authorities

	Estimated 2014	Planned 2015
	(in dollars)	
<b>Net cost of operations</b>	146,181,466	141,437,813
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(1,437,694)	(1,684,674)
Gain (loss) on disposal of tangible capital assets	(4,312)	6,487
Services provided without charge by other government departments (Note 9)	(20,345,223)	(19,959,770)
Prepaid expenses previously charged to appropriation	(934,867)	(964,097)
Decrease in Inventory	(129,013)	(93,609)
Decrease in vacation pay and compensatory leave	399,919	240,986
Decrease in employee future benefits	3,177,404	218,928
Decrease in accrued liabilities not charged to authorities	277,808	-
Work in progress	805,400	580,000
Refund of prior years' expenditures	63,075	63,075
Other	(3,781)	20,265
<b>Total items affecting net cost of operations but not affecting authorities</b>	<b>(18,131,284)</b>	<b>(21,572,409)</b>

Adjustments for items not affecting net cost of operations but affecting authorities:

Acquisition of tangible capital assets	2,256,666	444,198
Increase in prepaid expenses	963,400	954,494
<b>Total items not affecting net cost of operations but affecting authorities</b>	<b>3,220,066</b>	<b>1,398,692</b>

<b>Requested authorities</b>	<b>131,270,248</b>	<b>121,264,096</b>
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### b) Authorities requested

	Estimated 2014	Planned 2015
	(in dollars)	
<b>Authorities requested:</b>		
Vote-Program expenditures	122,203,684	107,072,928
Statutory amounts	15,489,606	14,215,401
<b>Less:</b>		
Authorities available for future years	(13,433)	(24,233)
Lapsed: Operating	(6,409,609)	-
<b>Requested authorities</b>	<b>131,270,248</b>	<b>121,264,096</b>

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

### **6. Forecasted Expenses**

The following table presents the forecasted expenses incurred by major object. The results for the period are as follows:

	Estimated Results 2014	Planned Results 2015
	(in dollars)	
Salaries and employee benefits	107,121,720	104,696,116
Accommodation (Note 9a)	13,024,518	12,986,711
Professional and special services	13,677,283	9,959,596
Transportation and telecommunications	2,733,384	3,030,650
Acquisition of machinery and equipment	3,002,867	2,999,701
Information	2,219,749	2,302,360
Amortization of tangible capital assets	1,437,695	1,684,674
Rentals	1,046,480	1,332,610
Utilities, materials and supplies	868,241	1,076,055
Purchased repair and maintenance	658,191	757,568
Other	465,858	697,092
Loss on disposal of tangible capital assets	13,913	13,913
<b>Total of Forecasted Expenses</b>	<b>146,269,899</b>	<b>141,537,046</b>

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

### 7. Employee future 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. 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/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the Privy Council Office contribute to the cost of the Plan. The 2013-14 forecast expense amounts to \$12,593,354 (\$11,395,331 in 2014-15), which represents approximately 1.7 times the contributions by employees.

The Privy Council Office's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the future-oriented statement of operations 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 salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

Information about the severance benefits, estimated as at the date of this statement, is as follows:

	Estimated Results 2014	Planned Results 2015
	(in dollars)	
Accrued benefits obligation - Beginning of year	7,895,773	4,718,369
Expense for the year	(832,515)	319,309
Expected benefits payments during the year	(2,344,889)	(538,237)
Accrued benefits obligation - End of year	4,718,369	4,499,441

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

### **8. Contractual Obligations**

The nature of the Privy Council Office's activities can result in some large multi-year contracts and obligations whereby the Privy Council Office will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2014	2015	2016	2017	2018 and thereafter	Total
(in dollars)						
Transport and telecommunications	813,593	148,303	48,000	52,800	-	1,062,696
Information	1,211,953	105,292	-	-	-	1,317,245
Professional and special services	5,262,791	1,025,472	82,366	37,366	-	6,407,995
Rental	457,290	489,841	736,456	382,375	-	2,065,962
Purchased repair and maintenance	1,136,219	-	-	-	-	1,136,219
Utilities, materials and supplies	101,713	-	-	-	-	101,713
Acquisition of machinery and equipment	671,947	-	-	-	-	671,947
Other	913	-	-	-	-	913
<b>Total</b>	9,656,419	1,768,908	866,822	472,541	-	12,764,690

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

### 9. Related Party Transactions

The Privy Council Office is related as a result of common ownership, to all government 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. In addition, the Privy Council Office has an agreement with the Security and Intelligence Review Committee related to the provision of finance and administration services which is included in revenues of the section b) of this note. During the year, the Privy Council Office received common services which were obtained without charge from other government departments as disclosed below:

#### (a) Common services provided without charge by other government departments:

During the year, the Privy Council Office receives services without charge from certain common service organizations, related to accommodation, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services provided without charge have been recorded in the Privy Council Office's Future-Oriented Statement of Operations as follows:

	Estimated Results 2014	Planned Results 2015
	(in dollars)	
Accommodation	13,024,518	12,986,711
Employer's contribution to the health and dental insurance plans	7,320,156	6,972,537
Worker's compensation coverage	549	522
<b>Total</b>	<b>20,345,223</b>	<b>19,959,770</b>

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada are not included in the Privy Council Office's Future-Oriented Statement of Operations.

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# Privy Council Office

## Notes to the Future-Oriented Statement of Operations (Unaudited)

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For the year ending March 31

**(b) Other transactions with related parties:**

	<b>Estimated Results 2014</b>	<b>Planned Results 2015</b>
	(in dollars)	
Revenues – Other Government departments and agencies	(75,000)	(75,000)
Expenses – Other Government departments and agencies	22,722,728	20,991,664

Expenses disclosed in (b) exclude common services provided without charges which are already disclosed in (a).