

PRIVY COUNCIL OFFICE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

Privy Council Office Financial Statements (Unaudited)

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2009, and all information contained in these statements rests with departmental management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

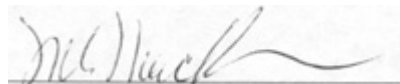
Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Privy Council Office's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Privy Council Office's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable; that assets are safeguarded; and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Privy Council Office.

The financial statements of the Privy Council Office have not been audited.



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



Marilyn MacPherson
Assistant Deputy Minister
Corporate Services

Ottawa, Ontario

August 07, 2009

Privy Council Office Statement of Operations (Unaudited)

for the year ended March 31, 2009

Expenses (Note 4)	2009	2008
	(in thousands of dollars)	
Provide professional, non-partisan policy advice and support to the Prime Minister and Portfolio Ministers	123,694	106,613
Provide overall leadership and direction to the Public Service in support of the Government's Agenda	5,903	4,893
Provide Commissions of Inquiry with financial and administrative support	14,547	16,472
Provide policy advice and secretariat support to Cabinet and Cabinet committees	28,404	22,838
Total Expenses	172,548	150,816
Revenues (Note 5)		
Provide professional, non-partisan policy advice and support to the Prime Minister and Portfolio Ministers	11	42
Provide overall leadership and direction to the Public Service in support of the Government's Agenda	1	3
Provide Commissions of Inquiry with financial and administrative support	2	2
Provide policy advice and secretariat support to Cabinet and Cabinet committees	3	9
Total Revenues	17	56
Net Cost of Operations	172,531	150,760

The accompanying notes form an integral part of these financial statements.

Privy Council Office Statement of Financial Position (Unaudited)

at March 31, 2009

Assets	2009	2008
	(in thousands of dollars)	
Financial assets		
Accounts receivable and advances (Note 6)	1,277	2,437
Total financial assets	1,277	2,437
Non-financial assets		
Prepaid expenses	284	349
Tangible capital assets (Note 7)	9,313	9,093
Total non-financial assets	9,597	9,442
Total	10,874	11,879

Liabilities and Equity of Canada		
Liabilities		
Accounts payable and other liabilities (Note 8)	19,893	17,220
Vacation pay and compensatory leave	6,550	5,244
Employee severance benefits (Note 9)	18,423	14,300
Total liabilities	44,866	36,764
Equity of Canada	(33,992)	(24,885)
Total	10,874	11,879

Contingent liabilities (Note 10)

Contractual obligations (Note 11)

The accompanying notes form an integral part of these financial statements.

Privy Council Office Statement of Equity (Unaudited)

at March 31, 2009

	2009	2008
	(in thousands of dollars)	
Equity of Canada, beginning of year	(24,885)	(26,110)
Net cost of operations	(172,531)	(150,760)
Refund and adjustment of previous year expenditures	(1,279)	(1,781)
Revenue not available for spending	(17)	(56)
Services provided without charge by other government departments (Note 12)	19,358	17,489
	(154,469)	(135,108)
Current year appropriations used (Note 3)	149,329	137,692
Change in net position in the Consolidated Revenue Fund (Note 3c)	(3,967)	(1,359)
Equity of Canada, end of year	(33,992)	(24,885)

The accompanying notes form an integral part of these financial statements.

Privy Council Office Statement of Cash Flow (Unaudited)

for the year ended March 31, 2009

	2009	2008
	(in thousands of dollars)	
Operating Activities		
Net cost of operations	172,531	150,760
Non-cash items		
Amortization of tangible capital assets (Note 7)	(2,278)	(2,696)
Loss on disposal of tangible capital assets	(98)	(69)
Other	(34)	209
Services provided without charge by other government departments (Note 12)	(19,358)	(17,489)
	(21,768)	(20,045)
Variations in Statement of Financial Position		
Increase (decrease) in accounts receivable and advances	(1,160)	(4,044)
Increase (decrease) in prepaid expenses	(65)	(347)
(Increase) decrease in liabilities:		
Accounts payable and other liabilities	(2,673)	2,900
Vacation pay and compensatory leave	(1,306)	2,620
Employee severance benefits	(4,123)	379
	(9,327)	1,508
Cash used by operating activities	141,436	132,223
Capital Investment Activities		
Acquisition of tangible capital assets (Note 7)	1,147	1,919
Net cost of tangible capital asset transfers	15	-
Work in progress	1,468	354
Cash used by capital investment activities	2,630	2,273
Net cash provided by Government of Canada	144,066	134,496

The accompanying notes form an integral part of these financial statements.

Privy Council Office Notes to Financial Statements (Unaudited)

for the year ended March 31, 2009

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. PCO'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. PCO provides administrative and financial management support to commissions. In 2008-2009, PCO provided 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 and the Commission of Inquiry into Certain Allegations Respecting Business and Financial Dealings Between Karlheinz Schreiber and the Right Honourable Brian Mulroney.

2. Significant Accounting Policies

The financial statements have 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 Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

Privy Council Office

Notes to Financial Statements (Unaudited)

for the year ended March 31, 2009

- b) **Net cash provided by government:** The Privy Council Office operates within the Consolidated Revenue Fund (CRF). The CRF 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) **Change in net position in the Consolidated Revenue Fund** is the difference between the net cash provided by government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the Privy Council Office. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.
- d) **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.
- e) **Expenses** are recorded on the accrual basis:
- 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.
- f) **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

Privy Council Office Notes to Financial Statements (Unaudited)

for the year ended March 31, 2009

- 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.
- g) **Accounts receivable and advances** are stated at amounts expected to be ultimately realized. A provision is made for receivables where recovery is considered uncertain.
- h) **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 an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.
- i) **Foreign currency transactions** are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect on 31 March. Gains and losses resulting from foreign currency transactions are included in on the statement of operations.
- j) **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. 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

Privy Council Office Notes to Financial Statements (Unaudited)

for the year ended March 31, 2009

- k) **Measurement uncertainty:** The preparation of these financial statements in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes these estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance 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 financial statements in the year they become known.

Privy Council Office

Notes to Financial Statements (Unaudited)

for the year ended March 31, 2009

3. *Parliamentary Appropriations*

The Privy Council Office receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position 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 tables:

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

	2009	2008
	(in thousands of dollars)	
Net cost of operations	172,531	150,760
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (less):		
Amortization of tangible capital assets	(2,278)	(2,696)
Loss on disposal of tangible capital assets	(98)	(69)
Services provided without charge by other government departments (Note 12)	(19,358)	(17,489)
Prepaid expenses	280	347
Vacation pay and compensatory leave	(1,306)	2,620
Employee severance benefits	(4,123)	379
Refund and adjustment of previous year expenditures	1,279	1,781
Revenue not available for spending	17	56
Other	1,238	84
	(24,349)	(14,987)
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add:		
Acquisition of tangible capital assets	1,147	1,919
Current year appropriations used	149,329	137,692

Privy Council Office Notes to Financial Statements (Unaudited)

for the year ended March 31, 2009

b) Appropriations provided and used:

	2009	2008
	(in thousands of dollars)	
Vote - Operating expenditures	147,634	137,271
Statutory amounts	13,827	12,193
Less:		
Appropriations available for future years	(7)	(32)
Lapsed appropriations: Operating	(12,125)	(11,740)
Current year appropriations used	149,329	137,692

c) Reconciliation of net cash provided by government to current year appropriations used:

	2009	2008
	(in thousands of dollars)	
Net cash provided by government	144,066	134,496
Refund and adjustment of previous year expenditures	1,279	1,781
Revenue not available for spending	17	56
	145,362	136,333
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	1,160	4,059
Variation in accounts payable and other liabilities	2,823	(2,701)
Other	(16)	1
	3,967	1,359
Current year appropriations used	149,329	137,692

Privy Council Office Notes to Financial Statements (Unaudited)

for the year ended March 31, 2009

4. *Expenses*

The following table presents details of expenses by category:

	2009	2008
	(in thousands of dollars)	
Salaries and employee benefits	114,382	92,011
Professional and special services	25,261	23,489
Accommodation	12,043	12,647
Transportation and telecommunications	7,283	6,224
Acquisition of machinery and equipment	4,110	5,479
Information	3,305	2,784
Amortization of tangible capital assets (Note 7)	2,278	2,696
Purchased repair and maintenance	2,148	622
Utilities, materials and equipment	1,461	1,588
Rental	1,442	1,137
Loss on disposal of tangible capital assets	98	69
Transfer payments	36	1,389
Other	(1,299)	681
Total	172,548	150,816

5. *Revenues*

The following table presents details of revenues by category:

	2009	2008
	(in thousands of dollars)	
Gain on disposal of tangible assets	8	32
Regulatory fees	3	5
Miscellaneous revenues	5	4
Gain on foreign exchange	1	15
Total	17	56

Privy Council Office Notes to Financial Statements (Unaudited)

for the year ended March 31, 2009

6. *Accounts Receivable and Advances*

The following table presents details of accounts receivable and advances:

	2009	2008
	(in thousands of dollars)	
Receivables from other federal government departments and agencies	762	1,917
Receivables from external parties	525	544
Employee advances	38	25
Subtotal	1,325	2,486
Less: Allowance for doubtful accounts on external receivables	48	49
Total	1,277	2,437

Privy Council Office

Notes to Financial Statements (Unaudited)

for the year ended March 31, 2009

7. *Tangible Capital Assets*

(in thousands of dollars) Capital Asset Class	Cost				Accumulated Amortization				Net Book Value 2009 ¹	Net Book Value 2008 ¹
	Opening Balance	Acquisi- tions	Disposal and write- offs	Closing Balance	Opening Balance	Amortiza- tion	Disposal and write- offs	Closing Balance		
Machinery and equipment	40	15	-	55	29	3	-	32	23	11
Informatics hardware	11,406	376	(731)	11,051	8,343	1,298	(659)	8,982	2,069	3,063
Informatics software	4,565	694	(20)	5,239	3,845	204	(1)	4,048	1,191	720
Other equipment	7,571	559	(73)	8,057	3,161	717	(45)	3,833	4,224	4,410
Motor vehicles	517	144	(120)	541	257	154	(79)	332	209	260
Work-in- progress - software	333	-	-	333	-	-	-	-	333	333
Work-in- progress - other	296	1,468	(500)	1,264	-	-	-	-	1,264	296
	24,728	3,256	(1,444)	26,540	15,635	2,376	(784)	17,227	9,313	9,093

Privy Council Office Notes to Financial Statements (Unaudited)

for the year ended March 31, 2009

8. *Accounts Payable and Other Liabilities*

The following table presents details of accounts payable and other liabilities:

	2009	2008
	(in thousands of dollars)	
Payables to external parties	15,608	12,845
Payables to other federal government departments and agencies	3,450	3,258
Other liabilities	835	966
Contingent liabilities (Note 10)	-	151
Total	19,893	17,220

9. *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.

Both the employees and the department contribute to the cost of the Public Service Pension Plan. The 2008-09 expense amounts to \$12,101,968 (\$10,723,836 in 2007-08), which represents approximately 2.0 times (2.1 in 2007-08) the contributions by employee.

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:

Privy Council Office Notes to Financial Statements (Unaudited)

for the year ended March 31, 2009

	2009	2008
	(in thousands of dollars)	
Accrued benefits obligation, beginning of year	14,300	14,679
Expense for the year	5,364	345
Benefits paid during the year	(1,241)	(724)
Accrued benefits obligation, end of year	18,423	14,300

10. *Contingent Liabilities*

Claims and litigations

Claims have been made against the Privy Council Office in the normal course of operations. On March 31, 2009 legal proceedings for claims were unlikely to occur (\$151,028 in 2007-2008).

Privy Council Office

Notes to Financial Statements (Unaudited)

for the year ended March 31, 2009

11. *Contractual Obligations*

The nature of the Privy Council Office's activities can result in 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:

(in thousands of dollars)	2010	2011	2012	2013	2014 and thereafter	Total
Privy Council Office						
Transport and telecommunications	1,064	111	114	116	9	1,414
Information	1,372	-	-	-	-	1,372
Professional and special services	3,990	167	-	-	-	4,157
Rental	753	508	428	328	85	2,102
Purchased repair and maintenance	263	152	-	-	-	415
Utilities, materials and equipment	503	-	-	-	-	503
Acquisition of machinery and equipment	25	-	-	-	-	25
	7,970	938	542	444	94	9,988
Commissions of Inquiry						
Transport and telecommunications	34	-	-	-	-	34
Information	202	-	-	-	-	202
Professional and special services	3,946	-	-	-	-	3,946
Rental	248	16	3	3	3	273
Utilities, materials and equipment	8	-	-	-	-	8
Transfer payments	34	-	-	-	-	34
	4,472	16	3	3	3	4,497
Total	12,442	954	545	447	97	14,485

12. *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.

Privy Council Office Notes to Financial Statements (Unaudited)

for the year ended March 31, 2009

Services provided without charge: During the year, the Privy Council Office received, 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:

	2009	2008
	(in thousands of dollars)	
Accommodation	11,447	10,849
Employer's contribution to the health and dental insurance plans	7 485	6,160
Legal services	420	469
Worker's compensation coverage	6	11
Total	19,358	17,489

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.

13. Program Activity Structure

The 2008-09 Financial Statements for the Privy Council Office were prepared in accordance with the Treasury Board Secretariat reporting requirements for the program activities. As a result, charges for Corporate Services activities have been reallocated between Program Activities.

14. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.