

# PRIVY COUNCIL OFFICE

## Statement of Management Responsibility including Internal Control Over Financial Reporting

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Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2013, and all information contained in these statements rests with the management of the Privy Council Office. These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

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 in the preparation of the *Public Accounts of Canada*, and included in the Privy Council Office's *Departmental Performance Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Privy Council Office and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2013 was completed in accordance with the Treasury Board *Policy on Internal Control* and the results and action plans are summarized in the annex.

The effectiveness and adequacy of the Privy Council Office's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the Privy Council Office's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and provides advice on key financial management reports including annual financial statements to the Clerk of the Privy Council Office and Secretary to the Cabinet.

These statements have not been subject to an external audit or review but have been shared with the Privy Council Office Departmental Audit Committee and they reflect the committee's members comments.

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

Ottawa, Canada  
August 30, 2013

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Michelle Doucet  
Assistant Deputy Minister Corporate Services  
Chief Financial Officer

# PRIVY COUNCIL OFFICE

## Statement of Financial Position (Unaudited)

As at March 31

		Restated (note 12)
(in thousands of dollars)	2013	2012
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	11,200	16,529
Vacation pay and compensatory leave	5,475	5,738
Employee future benefits (note 5)	7,896	10,921
<b>Total net liabilities</b>	<b>24,571</b>	<b>33,188</b>
<b>Assets</b>		
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	10,034	11,820
Accounts receivable and advances (note 6)	749	4,157
<b>Total gross financial assets</b>	<b>10,783</b>	<b>15,977</b>
<b>Financial assets held on behalf of Government</b>		
Accounts receivable and advances (note 6)	(2)	-
<b>Total financial assets held on behalf of Government</b>	<b>(2)</b>	<b>-</b>
<b>Total net financial assets</b>	<b>10,781</b>	<b>15,977</b>
<b>Departmental net debt</b>	<b>13,790</b>	<b>17,211</b>
<b>Non-financial assets</b>		
Prepaid expenses	504	501
Inventory (note 7)	470	-
Tangible capital assets (note 8)	4,755	6,310
<b>Total non-financial assets</b>	<b>5,729</b>	<b>6,811</b>
<b>Departmental net financial position</b>	<b>(8,061)</b>	<b>(10,400)</b>

Contractual obligations (note 9)

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

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

Ottawa, Canada  
August 30, 2013

Michelle Doucet  
Assistant Deputy Minister Corporate Services  
Chief Financial Officer

# PRIVY COUNCIL OFFICE

## Statement of Operations and Departmental Net Financial Position (Unaudited)

For the year ended March 31

	Planned Results 2013	2013	Restated (note 12) 2012
(in thousands of dollars)			
<b>Expenses</b>			
Prime Minister and portfolio ministers' support and advice	66,742	<b>65,173</b>	67,709
Cabinet and Cabinet committees' advice and support	15,688	<b>13,854</b>	18,142
Public service leadership and direction	3,998	<b>2,283</b>	4,341
Commissions of inquiry	1,145	<b>2,461</b>	10,786
Internal services	62,102	<b>61,414</b>	67,877
<b>Total Expenses</b>	149,675	<b>145,185</b>	168,855
<b>Revenues</b>			
Miscellaneous	52	<b>21</b>	48
Internal Services Support	74	<b>71</b>	73
Revenues earned on behalf of Government	(5)	<b>(7)</b>	(5)
<b>Total Revenues</b>	121	<b>85</b>	116
<b>Net cost from continuing operations</b>	149,554	<b>145,100</b>	168,739
<b>Transferred operations</b>			
Expenses	-	-	2,734
<b>Net cost of transferred operations</b>	-	-	2,734
<b>Net cost of operations before government funding and transfers</b>	149,554	<b>145,100</b>	171,473
<b>Government funding and transfers</b>			
Net cash provided by Government	134,037	<b>128,442</b>	161,980
Change in due from the Consolidated Revenue Fund	(3,883)	<b>(1,786)</b>	(5,005)
Services provided without charge by other government departments (note 10)	20,836	<b>21,499</b>	21,798
Transfer of assets and liabilities from (to) other government departments	-	-	(2,014)
Transfer of tangible capital assets from (to) other government departments	-	<b>(716)</b>	(11)
<b>Net cost of operations after government funding and transfers</b>	(1,436)	<b>(2,339)</b>	(5,275)
<b>Departmental net financial position - Beginning of year</b>	(7,119)	<b>(10,400)</b>	(15,675)
<b>Departmental net financial position - End of year</b>	<b>(5,683)</b>	<b>(8,061)</b>	(10,400)

Segmented information (note 11)

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

# PRIVY COUNCIL OFFICE

## Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31

	Planned Results 2013	2013	Restated (note 12) 2012
(in thousands of dollars)			
<b>Net cost of operations after government funding and transfers</b>	(1,436)	(2,339)	(5,275)
<b>Change due to tangible capital assets</b> (note 8)			
Acquisition of tangible capital assets	938	690	1,345
Amortization of tangible capital assets	(1,474)	(1,537)	(1,742)
Proceeds from disposal of tangible capital assets	(50)	(15)	(47)
Net (loss) or gain on disposal of tangible capital assets	44	(41)	(49)
Tangible capital asset adjustments	-	64	(83)
Transfer to other government departments	-	(716)	(2,208)
<b>Total change due to tangible capital assets</b>	(542)	(1,555)	(2,784)
<b>Change due to inventories</b>	-	470	-
<b>Change due to prepaid expenses</b>	110	3	(61)
<b>Transfer to other government departments - prepaid expenses</b>	-	-	(11)
<b>Net increase (decrease) in departmental net debt</b>	(1,868)	(3,421)	(8,131)
<b>Departmental net debt - Beginning of year</b>	13,341	17,211	25,342
<b>Departmental net debt - End of year</b>	11,473	13,790	17,211

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

		Restated (note 12)
(in thousands of dollars)	2013	2012
<b>Operating activities</b>		
Net cost of operations before government funding and transfers	145,100	171,473
<b>Non-cash items:</b>		
Amortization of tangible capital assets (note 8)	(1,537)	(1,742)
Gain (loss) on disposal of tangible capital assets	(41)	(49)
Tangible capital asset adjustments (note 8)	64	(83)
Services provided without charge by other government departments (note 10)	(21,499)	(21,798)
<b>Variations in Statement of Financial Position:</b>		
Increase (decrease) in accounts receivable and advances	(3,410)	2,433
Increase (decrease) in prepaid expenses	3	(61)
Increase in inventory	470	-
Transfer of prepaid expenses to other government departments	-	11
Decrease in accounts payable and accrued liabilities	5,329	2,012
Decrease in vacation pay and compensatory leave	263	217
Decrease in employee future benefits	3,025	8,474
Transfer of liabilities to other government departments	-	(205)
<b>Cash used in operating activities</b>	<b>127,767</b>	<b>160,682</b>
<b>Capital investing activities</b>		
Acquisitions of tangible capital assets (note 8)	690	1,345
Proceeds from disposal of tangible capital assets	(15)	(47)
<b>Cash used in capital investing activities</b>	<b>675</b>	<b>1,298</b>
<b>Net cash provided by Government of Canada</b>	<b>128,442</b>	<b>161,980</b>

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

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

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### 1. Authority and objectives

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 is headed by the Clerk of the Privy Council Office 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's work requires close and continuous contact with other federal departments and agencies to support its 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 of inquiry. In 2012-13, the Privy Council Office provided support to the Commission of Inquiry into the Decline of Sockeye Salmon in the Fraser River.

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 included below.

#### *1.1 Prime Minister and portfolio ministers' support and advice*

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.

#### *1.2 Cabinet and Cabinet committees' advice and support*

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 also 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 Public Service renewal and business transformation 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.

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

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### *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 include: management and oversight; legal support; human resources management; financial management; information management; information technology; real property; material management; acquisition; contracting; security and emergency management; access to information and privacy services; 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.

## 2. Summary of significant accounting policies

These financial statements have been prepared using the Government's accounting policies stated below, 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) 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. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the Statement of Operations and Departmental Net Financial Position are the amounts reported in the future-oriented financial statements included in the 2012-13 Report on Plans and Priorities.

The future-oriented financial statements for 2012-13 have been restated to reflect the net revenue of non-respendable amounts. This restatement resulted in a \$5,000 increase in net costs of operations before government funding and transfers. In addition, the future-oriented financial statements have also been reclassified to conform to the current year presentation.

### *(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 Government.

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

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### 2. Summary of significant accounting policies (continued)

#### *(c) Due from or to the CRF*

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Privy Council Office is entitled to draw from the CRF without further authorities to discharge its liabilities.

#### *(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 that gave rise to the revenue takes place.

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.

#### *(e) Expenses*

Expenses are recorded on the accrual basis:

- ✓ Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.
- ✓ Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- ✓ Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans and workers' compensation are recorded as operating expenses at their estimated cost.

#### *(f) 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.

#### *(g) Accounts receivables*

Accounts receivable are stated at the lower of cost and net recoverable value; a valuation allowance is recorded for accounts receivable where recovery is considered uncertain.



# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 2. Summary of significant accounting policies (continued)

#### *(h) 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 financial statements.

#### *(i) 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.

#### *(j) 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 assets, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the 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

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.

#### *(k) Measurement uncertainty*

The preparation of these financial statements 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 the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the allowance of doubtful accounts, 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 financial statements in the year they become known.

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 3. Parliamentary authorities

The Privy Council Office receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities 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 authorities used*

		Restated (note 12)
(in thousands of dollars)	2013	2012
Net cost of operations before government funding and transfers	145,100	171,473
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets (note 8)	(1,537)	(1,742)
Gain (loss) on disposal of tangible capital assets	(41)	(49)
Services provided without charge by other government departments (note 10)	(21,499)	(21,798)
Prepaid expenses previously charged to appropriation	(865)	(932)
Decrease in vacation pay and compensatory leave	263	168
Decrease in employee future benefits	3,025	8,318
(Increase) decrease in accrued liabilities	3,326	(3,105)
Refund of prior years' expenditures	375	841
Tangible capital asset adjustments (note 8)	64	36
Other	(7)	(7)
	(16,896)	(18,270)

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

Acquisition of tangible capital assets (note 8)	690	1,345
Increase in inventory	470	-
Increase in prepaid expenses	868	882
	2,028	2,227

<b>Current year authorities used</b>	<b>130,232</b>	<b>155,430</b>
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*(b) Authorities provided and used*

	2013	2012
(in thousands of dollars)		
<b>Authorities provided:</b>		
Vote - Operating expenditures	129,513	150,694
Statutory amounts	15,297	17,266
<b>Less:</b>		
Authorities available for future years	(18)	(49)
Lapsed: Operating	(14,560)	(12,481)
<b>Current year authorities used</b>	<b>130,232</b>	<b>155,430</b>

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 4. Accounts payable and accrued liabilities

The following table presents details of the Privy Council Office's accounts payable and accrued liabilities:

(in thousands of dollars)	2013	2012
Accounts payable - External parties	9,100	10,113
Accounts payable - Other government departments and agencies	1,701	2,649
<b>Total accounts payable</b>	<b>10,801</b>	<b>12,762</b>
Accrued liabilities	278	3,604
Other liabilities	121	163
<b>Total accounts payable and accrued liabilities</b>	<b>11,200</b>	<b>16,529</b>

In Canada's Economic Action Plan 2012, the Government announced savings measures to be implemented by departments over the next three fiscal years starting in 2012-2013. As a result, the Privy Council Office has recorded at March 31, 2013 an obligation for termination benefits for an amount of \$277,800 (\$3,404,000 in 2011-12) as part of accrued liabilities to reflect the estimated workforce adjustment costs.

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 5. 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 2012-13 expense amounts to \$13,324,346 (\$15,082,259 in 2011-12), which represents approximately 1.7 times (1.8 times in 2011-12) 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 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 salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, measured as at March 31, is as follows:

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.

(in thousands of dollars)	2013	2012
<b>Accrued benefit obligation - Beginning of year</b>	<b>10,921</b>	19,395
Transferred to other government department, effective November 15, 2011	-	(156)
Subtotal	<b>10,921</b>	19,239
Expense for the year	<b>745</b>	1,309
Benefits paid during the year	<b>(3,770)</b>	(9,627)
<b>Accrued benefit obligation - End of year</b>	<b>7,896</b>	10,921

### 6. Accounts receivable and advances

The following table presents details of the Privy Council Office's accounts receivable and advances balances:

(in thousands of dollars)	2013	2012
Receivables - Other government departments and agencies	<b>499</b>	3,773
Receivables - External parties	<b>259</b>	369
Employee advances	<b>17</b>	34
Subtotal	<b>775</b>	4,176
Allowance for doubtful accounts on receivables from external parties	<b>26</b>	19
<b>Gross accounts receivable</b>	<b>749</b>	<b>4,157</b>
Accounts receivable held on behalf of Government	(2)	-
<b>Net accounts receivable</b>	<b>747</b>	4,157

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 7. Inventory

The following table presents details of the Privy Council Office's inventory, measured at cost using the specific identification method:

(in thousands of dollars)	2013
Office equipment and furniture	186
Informatics equipment	282
Other	2
<b>Total inventory</b>	<b>470</b>

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 8. Tangible capital assets

(in thousands of dollars)	Cost					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions	Adjustments	Disposals and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments	Disposals and Write-Offs	Closing Balance	2013	Restated (note 12) 2012
Machinery and equipment	73	-	-	-	73	35	6	-	-	41	32	38
Informatics hardware	6,938	218	(3,129)	(867)	3,160	6,686	148	(3,092)	(867)	2,875	285	252
Informatics software	8,254	-	214	(42)	8,426	5,525	672	(23)	(42)	6,132	2,294	2,729
Other equipment	7,734	122	(1,332)	(426)	6,098	4,804	627	(707)	(371)	4,353	1,745	2,930
Motor vehicles	495	60	-	(30)	525	284	84	-	(29)	339	186	211
Work in progress - software	150	290	(227)	-	213	-	-	-	-	-	213	150
	23,644	690	(4,474)	(1,365)	18,495	17,334	1,537	(3,822)	(1,309)	13,740	4,755	6,310

#### NOTES:

Net adjustment of \$652,000 (\$4,474 - \$3,822) is mainly due to the transfer of capital assets to other departments. Furthermore in 2012, some assets that were expensed require a reclassification in 2013.

Adjustments of work in progress represent assets that were put into use in the year and have been transferred to the other capital asset classes as applicable.

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 9. 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 in order to carry programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2014	2015	2016	2017	2018 and thereafter	Total
Transport and telecommunications	816	4	-	-	-	820
Information	1,711	65	-	-	-	1,776
Professional and special services	2,803	129	45	-	-	2,977
Rental	494	216	118	86	-	914
Purchased repair and maintenance	313	2	-	-	-	315
Utilities, materials and equipment	52	-	-	-	-	52
Acquisition of machinery and equipment	158	-	-	-	-	158
Other	1	-	-	-	-	1
<b>Total</b>	<b>6,348</b>	<b>416</b>	<b>163</b>	<b>86</b>	<b>-</b>	<b>7,013</b>

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 10. 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). 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 received 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 Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2013	2012
Accommodation	13,327	13,103
Employer's contribution to the health and dental insurance plans	8,171	8,694
Worker's compensation coverage	1	1
<b>Total</b>	<b>21,499</b>	<b>21,798</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 Statement of Operations and Departmental Net Financial Position.

#### b) Other transactions with related parties

(in thousands of dollars)	2013	2012
Revenues - Other government departments and agencies	71	73
Expenses - Other government departments and agencies	22,538	29,540

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



# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 11. Segmented information

Presentation by segment is based on the Privy Council Office's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated by major object of expense and by major type of revenue. The segment results for the period are as follows:

(in thousands of dollars)	Prime Minister and portfolio minister's support and advice	Cabinet and Cabinet committees' advice and support	Public service leadership and direction	Commissions of inquiry	Internal services	2013	Restated (note 12) 2012
<b>Expenses</b>							
Salaries and employee benefits	58,279	12,966	2,141	568	36,930	<b>110,884</b>	121,430
Professional and special services	2,110	554	96	1,297	5,309	<b>9,366</b>	16,435
Accommodation	-	-	-	286	13,327	<b>13,613</b>	13,649
Transportation and telecommunications	1,989	202	33	20	518	<b>2,762</b>	4,147
Acquisition of machinery and equipment	94	8	1	1	1,667	<b>1,771</b>	2,981
Purchased repair and maintenance	13	4	-	2	490	<b>509</b>	1,784
Information	1,829	28	-	222	118	<b>2,197</b>	1,589
Amortization of tangible capital assets	-	-	-	-	1,537	<b>1,537</b>	1,201
Rentals	433	75	11	18	565	<b>1,102</b>	1,345
Utilities, materials and supplies	197	13	1	3	596	<b>810</b>	967
Transfer payments	-	-	-	44	-	<b>44</b>	2,660
Other	229	4	-	-	357	<b>590</b>	667
<b>Total Expenses</b>	<b>65,173</b>	<b>13,854</b>	<b>2,283</b>	<b>2,461</b>	<b>61,414</b>	<b>145,185</b>	<b>168,855</b>
<b>Revenues</b>							
Miscellaneous	1	1	-	-	19	<b>21</b>	48
Internal Support Services	-	-	-	-	71	<b>71</b>	73
Revenues earned on behalf of Government	-	-	-	-	(7)	<b>(7)</b>	(5)
<b>Total Revenues</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>83</b>	<b>85</b>	<b>116</b>
<b>Net cost of operations before government funding and transfers</b>	<b>65,172</b>	<b>13,853</b>	<b>2,283</b>	<b>2,461</b>	<b>61,331</b>	<b>145,100</b>	<b>168,739</b>

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 12. Adjustment to Prior Year's Results

Following the decision to change to a new capital assets system, a complete reconciliation of the Privy Council Office's tangible capital assets was done in 2012-13. As a result of the reconciliation, the Privy Council Office identified a tangible capital asset which had been amortized twice and another one which required a reclassification from expenses to tangible capital asset (including an amortization amount).

Consequently, the comparative financial statements presented for the year ended March 31, 2012 have been restated. The effect of this adjustment is presented in the table below:

2011-2012 (in thousand of dollars)	As previously stated	Effect of the adjustment	Revised amount
<b>Statement of Financial Position</b>			
Tangible capital assets (amortization \$177,000 and acquisition \$80,000)	5,830	480	6,310
Departmental net financial position	(10,880)	480	(10,400)
<b>Statement of Operations and Departmental Net Financial Position</b>			
Internal services	68,134	(257)	67,877
Net cost of operations before government funding and transfers	171,730	(257)	171,473
Net cost of operations after government funding and transfers	(5,018)	(257)	(5,275)
Departmental net financial position - Beginning of year	(15,898)	223	(15,675)
Departmental net financial position - End of year	(10,880)	480	(10,400)
<b>Statement of Change in Departmental Net Debt</b>			
Net cost of operations after government funding and transfers	(5,018)	(257)	(5,275)
Acquisition of tangible capital assets	1,265	80	1,345
Amortization of tangible capital assets	(1,919)	177	(1,742)
Total change due to tangible capital assets	(3,041)	257	(2,784)
<b>Statement of Cash Flow</b>			
Net cost of operations before government funding and transfers	171,730	(257)	171,473
Amortization of tangible capital assets	(1,919)	177	(1,742)
Acquisition of tangible capital assets	1,265	80	1,345

### 13. Comparative information

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

# PRIVY COUNCIL OFFICE

## Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2012-13

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### 1. Introduction

This document provides summary information on measures taken by the Privy Council Office (PCO) to maintain an effective system of internal control over financial reporting (ICFR) including information on internal control management, assessment results and related action plans.

Detailed information on PCO's authority, mandate, and programs can be found in our Report on Plans and Priorities and Departmental Performance Report (<http://intranet/index.aspx?filNm=about-sujet%5Cpubs%5Cpubs>).

### 2. Departmental system of internal control over financial reporting

#### 2.1 Internal Control Management

PCO recognizes the importance of setting the tone from the top to help ensure that staff at all levels understand their roles in maintaining effective systems of ICFR and are well equipped to exercise these responsibilities effectively. PCO's objective is to continually improve its internal control environment using a risk-based approach and targeted resource investment so that the required level of effectiveness is achieved at a manageable cost.

PCO's control environment enables its staff to effectively manage risks through raising awareness, providing appropriate knowledge, as well as developing skill sets. This control environment sets the tone for PCO, and is the foundation for its ICFR. PCO has a well established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. A departmental internal management control framework, approved by the Clerk of the Privy Council, is in place which includes:

- Values and ethics framework;
- Organizational accountability structures as they relate to internal control management to support sound financial management including roles and responsibilities for senior managers in their areas of responsibility;
- Evidence of effective planning and reporting activities which includes multiple financial reviews and regular financial reporting to all managers including senior management;
- Integrated risk management and on-going quality assurance and monitoring activities;
- On-going communication and training on statutory requirements, policies, and procedures for sound financial management and control; and,
- Monitoring and regular updates as needed on internal control management plus assessment results and action plan.

The Departmental Audit Committee (DAC) engages regularly with management on internal control issues and provides advice to the Clerk of the Privy Council on the adequacy and functioning of the department's risk management, control and governance frameworks and processes.

#### 2.2 Service Arrangements relevant to financial statements

PCO relies on other government departments for the processing of certain transactions that are recorded in its financial statements as follows:

##### Common Arrangements:

- Public Works and Government Services Canada (PWGSC) centrally administers the payments of salaries and the procurement of certain goods and services and provides accommodation services;
- On behalf of the employer, the Treasury Board Secretariat (TBS) provides PCO with information used to calculate various accruals and allowances, such as the accrued severance liability;
- The Department of Justice provides legal services to PCO; and,
- Shared Services Canada (SSC) provides IT infrastructure services to PCO in the areas of data centre and network services. The scope and responsibilities are addressed in the interdepartmental arrangement between SSC and PCO.

# PRIVY COUNCIL OFFICE

## Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2012-13

### Specific Arrangements:

- TBS provides PCO with a SAP financial system platform to capture and report all financial transactions.

### 3. Departmental assessment results during fiscal year 2012-13

The key findings and significant adjustments required from the current year's assessment activities are summarized below.

**New or significantly amended key controls** - There were no amended key controls in existing processes which required a reassessment.

**On-going monitoring program** - As part of its rotational on-going monitoring plan, PCO completed its reassessment of controls related to the following key processes: goods and services, payables at year-end (PAYE), receivables at year-end (RAYE), contingent liabilities, control accounts reconciliation and specified purpose accounts. In all instances, the key controls tested performed as intended, with one minor remediation required as follows:

- All controls performed as intended but in some instances documents were not initialled by financial officers failing to provide evidence of the verification performed. Senior financial officers have been debriefed about the minor remediation required.

### 4. Departmental action plan

#### 4.1 Progress during fiscal year 2012-13

PCO continued to conduct its on-going monitoring according to the previous fiscal year's rotational plan as follows:

Previous year's rotational on-going monitoring plan for current year	Status
<ul style="list-style-type: none"><li>• Goods and Services</li><li>• Payables at Year-End (PAYE)</li><li>• Receivables at Year-End (RAYE)</li><li>• Contingent Liabilities</li><li>• Control Accounts Reconciliation</li><li>• Specified Purpose Accounts</li></ul>	Completed as planned and no or minor remedial actions required
<ul style="list-style-type: none"><li>• Entity Level Controls</li></ul>	Deferred to fiscal year 2013-14 due to the implementation of several financial modules and reports in fiscal year 2012-13.

In 2012-13, PCO conducted the following work in addition to the progress made in on-going monitoring:

- Implement PCO's Code of Ethics;
- Strengthen PCO's governance structure by implementing recommendations resulting from an internal audit on governance;
- Implementation of financial dashboard reports for managers;
- Update PCO's Management Controls Framework with new or revised financial and non financial controls;
- Formalize the approval process for the Public Accounts and the Year-End Financial Statements by documenting and keeping on file evidence of approvals at all stages;
- Implement a salary management module integrated to PCO's departmental financial system;
- Implement an asset management module integrated to PCO's departmental financial system;
- Implement an inventory management module integrated to PCO's departmental financial system;
- Audit of Cabinet Confidences Functions; and,
- Audit of Corporate Governance.

PCO was unable to proceed with the implementation of the Financial Delegation Chart module integrated to its departmental financial system as indicated in last year's Annex to the Statement of Management Responsibility as the module is still not available from our system provider.

# PRIVY COUNCIL OFFICE

## Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2012-13

### 4.2 Action plan for the next fiscal year and subsequent years

PCO's rotational on-going monitoring plan over the next three years, based on an annual validation of the high risk processes and controls and related adjustments to the on-going monitoring plan as required, is shown in the following table:

Rotational On-going Monitoring Plan for Internal Control over Financial Reporting			
Key Control Areas	Operating Effectiveness Testing Rotation		
	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Entity Level Controls	√		
Hospitality	√		
Travel Authority and Advances	√		
Travel Claims	√		
Salaries and Wages		√	
Goods and Services			√
Financial Delegation - Specimen Signature Card		√	
Reconciliation - Public Works and Government Services Canada Pay System and PCO's Salary Management System		√	
Accrued Receivables		√	
Deposits		√	
Specified Purpose Accounts			√
Accounts Payable at Year-End			√
Accounts Receivable at Year-End			√
Contingent Liabilities			√
Control Accounts Reconciliation			√
Capital Assets	√		

# PRIVY COUNCIL OFFICE

## **Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2012-13**

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In addition in 2013-14, PCO will be completing or conducting the following audits:

- Audit of Accounting Officer Responsibilities, including Risk Management;
- Audit of Physical and Personnel Security;
- Audit of Information Technology Management; and,
- Audit of Occupational Health and Safety.