

PRIVY COUNCIL OFFICE

Statement of Management Responsibility including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2014, 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; organizational arrangements that provide appropriate divisions of responsibility; communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Privy Council Office; and, 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, 2014 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 conducts periodic audits of different areas of the Privy Council Office's operations, and by the Departmental Audit Committee, which provides objective advice and recommendations to the Clerk of the Privy Council Office and Secretary to the Cabinet on the adequacy and functioning of the department's risk management, control and governance frameworks and processes including the annual financial statements.

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 members' comments.

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

Ottawa, Canada
August 29, 2014

Michelle Doucet
Assistant Deputy Minister, Corporate Services
Chief Financial Officer

PRIVY COUNCIL OFFICE

Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)

2014

2013

Liabilities

Accounts payable and accrued liabilities (note 4)	10,850	11,200
Vacation pay and compensatory leave	5,278	5,475
Employee future benefits (note 5)	5,756	7,896

Total liabilities	21,884	24,571
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Assets

Financial assets

Due from Consolidated Revenue Fund	9,484	10,034
Accounts receivable and advances (note 6)	1,252	749

Total gross financial assets	10,736	10,783
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Financial assets held on behalf of Government

Accounts receivable and advances (note 6)	-	(2)
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Total financial assets held on behalf of Government	-	(2)
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Total net financial assets	10,736	10,781
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Departmental net debt	11,148	13,790
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Non-financial assets

Prepaid expenses	431	504
Inventory (note 7)	286	470
Tangible capital assets (note 8)	6,441	4,755

Total non-financial assets	7,158	5,729
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Departmental net financial position	(3,990)	(8,061)
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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 29, 2014

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

(in thousands of dollars)	Planned Results 2014	2014	2013
Expenses			
Prime Minister and portfolio ministers' support and advice	66,821	63,577	65,285
Cabinet and Cabinet committees' advice and support	15,626	13,913	13,884
Public service leadership and direction	2,408	2,467	2,284
Commissions of inquiry	-	-	2,470
Internal services	61,845	62,341	60,847
Total Expenses	146,700	142,298	144,770
Revenues			
Miscellaneous	31	12	21
Internal Services Support	49	75	71
Revenues earned on behalf of Government	(9)	(7)	(7)
Total Revenues	71	80	85
Net cost from continuing operations	146,629	142,218	144,685
Transferred operations (note 11)			
Expenses	490	-	415
Net cost of transferred operations	490	-	415
Net cost of operations before government funding and transfers	147,119	142,218	145,100
Government funding and transfers			
Net cash provided by Government	127,962	126,662	128,442
Change in due from the Consolidated Revenue Fund	(1,379)	(550)	(1,786)
Services provided without charge by other government departments (note 10)	20,922	20,193	21,499
Transfer of tangible capital assets from (to) other government departments	-	(16)	(716)
Net revenue of operations after government funding and transfers	(386)	(4,071)	(2,339)
Departmental net financial position - Beginning of year	(7,079)	(8,061)	(10,400)
Departmental net financial position - End of year	(6,693)	(3,990)	(8,061)

Segmented information (note 12)

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 2014	2014	2013
(in thousands of dollars)			
Net revenue of operations after government funding and transfers	(386)	(4,071)	(2,339)
Change due to tangible capital assets			
Acquisition of tangible capital assets	800	3,022	690
Amortization of tangible capital assets	(1,241)	(1,308)	(1,537)
Proceeds from disposal of tangible capital assets	(28)	(5)	(15)
(Loss) or gain on disposal of tangible capital assets	22	(7)	(41)
Tangible capital asset adjustments	-	-	64
Transfer to other government departments	-	(16)	(716)
Total change due to tangible capital assets	(447)	1,686	(1,555)
Change due to inventories	-	(184)	470
Change due to prepaid expenses	(44)	(73)	3
Net increase (decrease) in departmental net debt	(877)	(2,642)	(3,421)
Departmental net debt - Beginning of year	12,393	13,790	17,211
Departmental net debt - End of year	11,516	11,148	13,790

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

(in thousands of dollars)

2014

2013

Operating activities

Net cost of operations before government funding and transfers	142,218	145,100
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Non-cash items:

Amortization of tangible capital assets	(1,308)	(1,537)
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Gain (loss) on disposal of tangible capital assets	(7)	(41)
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Tangible capital asset adjustments	-	64
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Services provided without charge by other government departments (note 10)	(20,193)	(21,499)
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Variations in Statement of Financial Position:

Increase (decrease) in accounts receivable and advances	505	(3,410)
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Increase (decrease) in prepaid expenses	(73)	3
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Increase (decrease) in inventory	(184)	470
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Decrease in accounts payable and accrued liabilities	350	5,329
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Decrease in vacation pay and compensatory leave	197	263
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Decrease in employee future benefits	2,140	3,025
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Cash used in operating activities	123,645	127,767
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Capital investing activities

Acquisitions of tangible capital assets (note 8)	3,022	690
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Proceeds from disposal of tangible capital assets	(5)	(15)
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Cash used in capital investing activities	3,017	675
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Net cash provided by Government of Canada	126,662	128,442
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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

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, and 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 were no active commissions of inquiry in 2013-14.

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 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 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.

PRIVY COUNCIL OFFICE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

1. Authority and objectives (continued)

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 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 and in the Statement of Change in Departmental Net Debt are the amounts reported in the future-oriented financial statements included in the *2013-14 Report on Plans and Priorities*.

(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

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) 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.

(e) 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.

(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 receivable

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

(in thousands of dollars)	2014	2013
Net cost of operations before government funding and transfers	142,218	145,100
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	(1,308)	(1,537)
Gain (loss) on disposal of tangible capital assets	(7)	(41)
Services provided without charge by other government departments	(20,193)	(21,499)
Prepaid expenses previously charged to appropriation	(914)	(865)
Decrease in vacation pay and compensatory leave	197	263
Decrease in employee future benefits	2,140	3,025
Decrease in accrued liabilities	278	3,326
Refund of prior years' expenditures	302	375
Tangible capital asset adjustments	-	64
Other	(7)	(7)
	(19,512)	(16,896)

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

Acquisition of tangible capital assets	3,022	690
Decrease in inventory	(184)	470
Increase in prepaid expenses	841	868
	3,679	2,028

Current year authorities used	126,385	130,232
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(b) Authorities provided and used

(in thousands of dollars)	2014	2013
Authorities provided:		
Vote 1 - Program expenditures	117,998	129,513
Statutory amounts	14,272	15,297
Less:		
Authorities available for future years	(6)	(18)
Lapsed: Operating	(5,879)	(14,560)
Current year authorities used	126,385	130,232

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)	2014	2013
Accounts payable - External parties	8,268	9,100
Accounts payable - Other government departments and agencies	2,431	1,701
Total accounts payable	10,699	10,801
Accrued liabilities	-	278
Other liabilities	151	121
Total accounts payable and accrued liabilities	10,850	11,200

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 2012-13. No liability related to workforce adjustments costs was recorded by the Privy Council Office as of March 31, 2014. An amount of \$277,800 was recorded in 2012-13 as part of the accrued liabilities, to reflect these estimated costs.

5. Employee future benefits

(a) Pension benefits

The Privy Council Office's employees participate in the public service pension plan (the "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/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and the Privy Council Office contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to *Canada's Economic Action Plan 2012*, employee contributors have been divided into two groups - Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013.

Each group has a distinct contribution rate. The 2013-14 expense amounts to \$12,522,520 (\$13,324,346 in 2012-13). For Group 1 members, the expense represents approximately 1.6 times (1.7 times in 2012-13) the employee contributions and, for Group 2 members, approximately 1.5 times (1.6 times in 2012-13) the employee contributions.

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.

PRIVY COUNCIL OFFICE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

5. Employee future benefits (continued)

(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, measured as at March 31, is as follows:

(in thousands of dollars)	2014	2013
Accrued benefit obligation - Beginning of year	7,896	10,921
Expense for the year	(158)	745
Benefits paid during the year	(1,982)	(3,770)
Accrued benefit obligation - End of year	5,756	7,896

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)	2014	2013
Receivables - Other government departments and agencies	810	499
Receivables - External parties	433	259
Employee advances	41	17
Subtotal	1,284	775
Allowance for doubtful accounts on receivables from external parties	32	26
Gross accounts receivable	1,252	749
Accounts receivable held on behalf of Government	-	(2)
Net accounts receivable	1,252	747

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)	2014	2013
Office equipment and furniture	171	186
Informatics equipment	115	282
Other	-	2
Total inventory	286	470

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	2014	2013
Machinery and equipment	73	-	-	(13)	60	41	5	-	(12)	34	26	32
Informatics hardware	3,160	1,036	-	(238)	3,958	2,875	102	-	(238)	2,739	1,219	285
Informatics software	8,426	111	974	(7)	9,504	6,132	813	(93)	(8)	6,844	2,660	2,294
Other equipment	6,098	451	-	(178)	6,371	4,353	330	-	(167)	4,516	1,855	1,745
Motor vehicles	525	35	(30)	(34)	496	339	58	(15)	(33)	349	147	186
Work in progress - software	213	1,389	(1,068)	-	534	-	-	-	-	-	534	213
	18,495	3,022	(124)	(470)	20,923	13,740	1,308	(108)	(458)	14,482	6,441	4,755

NOTES:

Net adjustment of \$15,644 (\$123,855 - \$108,211) is due to the transfer of capital assets to other departments.

In April 2013, the Privy Council Office transferred software related to workplace technology devices with a nil net book value to Shared Services Canada. This transfer is included in the adjustment columns (refer to note 11 for further details on the transfer).

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)	2015	2016	2017	2018	2019 and thereafter	Total
Transport and telecommunications	410	209	191	-	-	810
Information	1,259	41	13	-	-	1,313
Professional and special services	3,914	94	34	-	-	4,042
Rental	790	765	382	-	-	1,937
Purchased repair and maintenance	205	-	-	-	-	205
Utilities, materials and supplies	71	-	-	-	-	71
Acquisition of machinery and equipment	330	58	55	-	-	443
Total	6,979	1,167	675	-	-	8,821

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 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 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)	2014	2013
Accommodation	12,945	13,327
Employer's contribution to the health and dental insurance plans	7,247	8,171
Worker's compensation	1	1
Total	20,193	21,499

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)	2014	2013
Revenues - Other government departments and agencies	75	71
Expenses - Other government departments and agencies	25,489	22,538

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

11. Transfers from/to other government departments

On April 3, 2013, the Privy Council Office transferred the responsibility for the acquisition and provision of hardware and software for workplace technology devices (formerly known as end user devices) in accordance with the Order-in-Council 2013-0368.

In addition, the 2013 comparative figures have been reclassified on the Statement of Operations and Departmental Net Financial Position to present the expenses of the transferred operations.

PRIVY COUNCIL OFFICE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

12. 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 ministers' support and advice	Cabinet and Cabinet committees' advice and support	Public service leadership and direction	Internal services	2014	2013
Expenses						
Salaries and employee benefits	55,682	12,792	2,317	34,885	105,676	110,884
Professional and special services	3,260	556	111	8,326	12,253	9,366
Accommodation	-	-	-	12,945	12,945	13,613
Transportation and telecommunications	2,102	189	29	542	2,862	2,762
Acquisition of machinery and equipment	235	168	-	1,911	2,314	1,387
Purchased repair and maintenance	212	68	-	1,058	1,338	478
Information	1,675	64	-	146	1,885	2,197
Amortization of tangible capital assets	63	-	-	1,245	1,308	1,537
Rentals	344	59	9	657	1,069	1,102
Utilities, materials and supplies	191	14	1	574	780	810
Transfer payments	-	-	-	-	-	44
Other	(187)	3	-	52	(132)	590
Total Expenses	63,577	13,913	2,467	62,341	142,298	144,770
Revenues						
Miscellaneous	4	-	-	8	12	21
Internal Support Services	-	-	-	75	75	71
Revenues earned on behalf of Government	-	-	-	(7)	(7)	(7)
Total Revenues	4	-	-	76	80	85
Net cost from continuing operations	63,573	13,913	2,467	62,265	142,218	144,685

13. Comparative information

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

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Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2013-14

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 PCO's Report on Plans and Priorities and in the Departmental Performance Report (<http://www.pco-bcp.gc.ca/index.asp?lang=eng&page=information&sub=publications&doc=rpp/2014-2015/index-eng.htm>) and (<http://www.pco-bcp.gc.ca/index.asp?lang=eng&page=information&sub=publications&doc=dpr-rmr/2012-2013/index->

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 and includes:

- Values and ethics framework integrated risk management and on-going quality assurance and monitoring activities;
- A corporate risk profile that is updated annually;
- A risk-based internal audit plan which also covers planned audits related to business processes assessed under the Policy on Internal Control;
- 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;
- Integrated financial planning, forecasting and reporting processes including investment planning;
- 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.

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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. SSC also provides to PCO the service for the acquisition and provision of hardware and software for workplace technology devices. The scope and responsibilities are addressed in the interdepartmental arrangement between SSC and PCO.

Specific Arrangements:

- TBS provides PCO with a SAP financial system platform to capture and report all financial transactions and with a PeopleSoft system for all human resources transactions and reports.

3. Departmental assessment results during fiscal year 2013-14

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: Specimen Card and Deposits. Two significant remediations for the Specimen Card process and a minor one for both processes are required as follows:

- For the Specimen Card process, delegation is not to be provided permanently unless incumbent has successfully completed mandatory courses as required by the *TB Policy on Learning, Training and Development*. Also, when cost centers are requesting a new specimen card, the request should be written, such as in an e-mail, and the manager that is delegating is to be included on the e-mail.
- For both of these processes, auditable evidence of verification is to be shown by initialing each document and dating it.
- Senior financial officers have been debriefed about these remediations and they were implemented.

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4. Departmental action plan

4.1 Progress during fiscal year 2013-14

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
• Hospitality	Deferred to fiscal year 2014-15 since efforts were redirected to the implementation of an automated Shared Travel System and due to significant changes in the Directive on Travel, Hospitality, Conference and Event Expenditures.
• Travel	Deferred to fiscal year 2015-16 due to the implementation of an automated Shared Travel System in 2014-2015 and significant changes in the Directive on Travel, Hospitality, Conference and Event Expenditures.
• Entity Level Controls	Deferred to fiscal year 2014-15 due to a lack of resources and other competing priorities.

The monitoring of the hospitality and travel processes were replaced by the following two processes:

Rotational on-going monitoring plan for current year	Status
• Specimen Card	Completed with 2 significant remediations and a minor one which were all implemented.
• Deposits	Completed with minor remediation which was implemented.

In 2013-14, PCO conducted the following work in addition to the progress made in on-going monitoring:

- Completed the implementation of the Salary Forecasting Tool;
- Completed the implementation of the Asset Management Module;
- Completed the implementation of the Inventory Management Model;
- PCO's governance structure was approved by the PCO Executive Committee. The first annual review of governance was completed. Senior management now participates in the agenda setting process and sufficient direction to the governance sub-committee is provided. Records of Decisions are now prepared, and actions are followed-up and monitored;
- Audit of Accounting Officer Responsibilities, including Risk Management;
- Audit of Physical and Personnel Security;
- Audit of Occupational Health and Safety.

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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 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Entity Level Controls	x		
Hospitality	x		
Travel Authority and Advances		x	
Travel Claims		x	
Salaries and Wages	x		
Goods and Services			x
Financial Delegation - Specimen Signature Card			x
Reconciliation - Public Works and Government Services Canada Pay System and PCO's Salary Forecasting Tool	x		
Accrued Receivables			x
Deposits			x
Specified Purpose Accounts			x
Accounts Payable at Year-End	x		
Accounts Receivable at Year-End	x		
Contingent Liabilities	x		
Capital Assets		x	

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Rotational On-going Monitoring Plan for Internal Control over Financial Reporting (cont'd)			
Key Control Areas	Operating Effectiveness Testing Rotation		
	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Budgets (new)		x	
Vendor (new)		x	

In addition in 2014-15, PCO will be completing or conducting the following audits:

- Follow-up audit of Business Continuity Management;
- Audit of Contracting;
- Audit of Information Technology Management; and
- Audit of Controls over Financial Reporting.