

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, 2019, and all information contained in these financial statements rests with the management of the Privy Council Office (PCO). These financial statements have been prepared by management using the Government of Canada'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 PCO's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in PCO's Departmental Results 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 PCO 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, 2019 was completed in accordance with the Treasury Board Policy on Financial Management and the results and action plans are summarized in the Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2018-19.

The effectiveness and adequacy of PCO's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of PCO'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 which recommends the financial statements to the Clerk of the Privy Council and Secretary to the Cabinet.

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

Ian Shugart
Clerk of the Privy Council and Secretary to the Cabinet

Matthew Shea
Chief Financial Officer

PRIVY COUNCIL OFFICE

Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars) 2019 2018

Liabilities

Accounts payable and accrued liabilities (note 4)	48,547	37,313
Vacation pay and compensatory leave	10,361	8,583
Employee future benefits (note 5)	3,775	4,531

Total liabilities	62,683	50,427
-------------------	--------	--------

Assets

Financial assets

Due from Consolidated Revenue Fund	45,098	31,552
Accounts receivable and advances (note 6)	5,726	8,456
Total net financial assets	50,824	40,008

Departmental net debt	11,859	10,419
-----------------------	--------	--------

Non-financial assets

Prepaid expenses	949	913
Inventory (note 7)	167	271
Tangible capital assets (note 8)	18,740	14,860
Total non-financial assets	19,856	16,044

Departmental net financial position	7,997	5,625
-------------------------------------	-------	-------

Contractual obligations (note 9)

Contingent liabilities (note 10)

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

Ian Shugart
Clerk of the Privy Council and Secretary to the Cabinet

Matthew Shea
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		
	2019	2019	2018
Expenses			
Advice and support to the Prime Minister and portfolio ministers	-	-	83,748
Advice and support to Cabinet and Cabinet committees	-	-	15,930
Public Service leadership and direction	-	-	3,962
Commissions of inquiry	-	-	19,869
Internal Services	-	-	95,449
Serve the Prime Minister and Cabinet	106,650	127,664	-
Internal Services	148,878	105,681	-
Total Expenses	255,528	233,345	218,958
Revenues			
Miscellaneous revenues	13	24	25
Internal services support	1,085	960	75
Revenues earned on behalf of Government	(3)	(10)	(80)
Total Revenues	1,095	974	20
Net cost from continuing operations	254,433	232,371	218,938
Transferred operations (note 11)			
Expenses	-	-	37
Net cost of transferred operations	-	-	37
Net cost of operations before government funding and transfers	254,433	232,371	218,975
Government funding and transfers			
Net cash provided by Government of Canada		198,451	197,379
Change in due from Consolidated Revenue Fund		13,546	6,236
Services provided without charge by other government departments (note 11a)		22,741	18,462
Transfer of overpayments		(27)	(22)
Transfer of assets and liabilities (to) / from other government departments (note 11)		-	(19)
Transfer of tangible capital assets (to) / from other government departments		32	-
Net cost of operations after government funding and transfers		(2,372)	(3,061)
Departmental net financial position - Beginning of year		5,625	2,564
Departmental net financial position - End of year		7,997	5,625

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

(in thousands of dollars)	2019	2018
Net cost of operations after government funding and transfers	(2,372)	(3,061)
Change due to tangible capital assets		
Acquisition of tangible capital assets	5,688	7,485
Amortization of tangible capital assets	(1,857)	(1,912)
Proceeds from disposal of tangible capital assets	13	-
Net (loss) or gain on disposal of tangible capital assets including adjustments	3	(383)
Tangible capital asset adjustments	32	-
Total change due to tangible capital assets	3,879	5,190
Change due to inventory	(104)	(1,740)
Change due to prepaid expenses	36	153
Net increase (decrease) in departmental net debt	1,439	542
Departmental net debt - Beginning of year	10,419	9,877
Departmental net debt - End of year	11,859	10,419

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)	2019	2018
Operating activities		
Net cost of operations before government funding and transfers	232,371	218,975
Non-cash items:		
Amortization of tangible capital assets	(1,857)	(1,912)
Gain (loss) on disposal of tangible capital assets	3	(383)
Services provided without charge by other government departments (note 11a)	(22,741)	(18,462)
Transfer of overpayments	27	22
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	(2,730)	3,660
Increase (decrease) in prepaid expenses	36	153
Increase (decrease) in inventory	(104)	(1,740)
Decrease (increase) in accounts payable and accrued liabilities	(11,233)	(8,006)
Decrease (increase) in vacation pay and compensatory leave	(1,778)	(2,705)
Decrease (increase) in future employee benefits	756	273
Transfer of liabilities to other government departments (note 11)	-	19
Cash used in operating activities	192,750	189,894
Capital investing activities		
Acquisitions of tangible capital assets (note 8)	5,688	7,485
Proceeds from disposal of tangible capital assets	13	-
Cash used in capital investing activities	5,701	7,485
Net cash provided by Government of Canada	198,451	197,379

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

PCO 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.

PCO 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 PCO 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. PCO 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. PCO provides administrative and financial management support to commissions of inquiry. There was one active commission in 2018-19: National Inquiry into Missing and Murdered Indigenous Women and Girls.

To achieve its strategic outcome and deliver results for Canadians, PCO articulates its plans and priorities based on the core programs included below.

Serve the Prime Minister and Cabinet

To deliver analysis, advice and support to the Prime Minister and Ministers of the Portfolio including non-partisan advice and information from across the Public Service resulting from consultations and collaboration with international and domestic sources inside and outside government. To act as secretariat to the Cabinet and its committees including managing the Cabinet's decision-making system; coordinate departmental policy proposals to Cabinet; schedule and provide support services for meetings of Cabinet and Cabinet committees; advance the Government's agenda across federal departments and agencies; and provide administrative services to the Prime Minister's Office, Portfolio Ministers and to Commissions of Inquiry. To lead and renew the public service in order to advise the government; implement its agenda; and deliver services and results to Canadians.

Internal Services

Internal support 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 are prepared using PCO'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

PCO is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to PCO 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 "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2018-2019 Departmental Plan. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2018-2019 Departmental Plan.

PRIVY COUNCIL OFFICE

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

2. Summary of significant accounting policies (continued)

(b) Net cash provided by Government

PCO operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by PCO is deposited to the CRF, and all cash disbursements made by PCO 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.

(c) Amounts 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 PCO is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues

a Revenues are recognized in the period in which the event that gave rise to the revenues occurred.

a Revenues that are non-respendable are not available to discharge the PCO's liabilities. While the Clerk of the Privy Council and Secretary to the Cabinet is expected to maintain accounting control, he or she 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 as a reduction of PCO's gross revenues.

(e) Expenses

Expenses are recorded on an accrual basis:

- Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient.
- 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 carrying value.

(f) Employee future benefits

- Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. PCO's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. PCO'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.
- Severance benefits: The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits 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 initially recorded at cost and when necessary, an allowance for valuation is recorded to reduce the carrying value of accounts receivable to amounts that approximate their net recoverable value.

PRIVY COUNCIL OFFICE

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

2. Summary of significant accounting policies (continued)

(h) Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described in Note 8. All tangible capital assets having an initial cost of \$5,000 or more are recorded at their acquisition cost. Tangible capital assets do not include immovable assets located on reserves as defined in the Indian Act, works of art, museum collection and Crown land to which no acquisition cost is attributable; and intangible assets.

Inventories are valued at cost and are comprised of spare parts and supplies held for future program delivery and are not primarily intended for resale. Inventories that no longer have service potential are valued at the lower of cost or net realizable value.

(i) Contingent liabilities

Contingent liabilities, including the allowance for guarantees, are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, a provision is accrued and an expense recorded to other expenses. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

For guarantees, an allowance is recorded when it is determined that a loss is likely and the amount of the allowance is estimated taking into consideration the nature of the guarantee, loss experience and current conditions. The allowance is reviewed on an ongoing basis and changes in the allowance are recorded as expenses in the year they become known.

(j) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are contingent liabilities, 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

PCO 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, PCO 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)	2019	2018
Net cost of operations before government funding and transfers	232,371	218,975
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(1,857)	(1,912)
Gain (loss) on disposal of tangible capital assets	3	(383)
Services provided without charge by other government departments	(22,741)	(18,462)
Increase / (decrease) in vacation pay and compensatory leave	(1,779)	(2,705)
Increase / (decrease) in employee future benefits	755	273
Increase / (decrease) in accrued liabilities not charged to authorities	300	-
Refund of prior years' expenditures	516	708
Tangible capital asset adjustments	490	-
Other	19	67
Total items affecting net cost of operations but not affecting authorities	(24,294)	(22,414)

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

Acquisition of tangible capital assets	5,688	7,485
Increase / (decrease) in inventory	(104)	(1,740)
Increase / (decrease) in prepaid expenses	36	153
Accounts receivable and advances	579	482
Total items not affecting net cost of operations but affecting authorities	6,199	6,380

Current year authorities used	214,275	202,941
-------------------------------	---------	---------

(b) Authorities provided and used

(in thousands of dollars)	2019	2018
Authorities provided:		
Vote 1 - Operating expenditures	217,382	209,656
Statutory amounts	16,612	15,497
Less:		
Authorities available for future years	(16)	(6)
Lapsed: Operating	(19,703)	(22,206)
Current year authorities used	214,275	202,941

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 PCO's accounts payable and accrued liabilities:

(in thousands of dollars)	2019	2018
Accounts payable - Other government departments and agencies	9,382	10,090
Accounts payable - External parties	38,374	26,508
Total accounts payable	47,756	36,598
Accrued liabilities	-	300
Other liabilities	791	415
Total accounts payable and accrued liabilities	48,547	37,313

5. Employee future benefits

(a) Pension benefits

PCO'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 employer contribute to the cost of the Plan. Due to the amendment of the Public Service Superannuation Act following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups - Group 1 related 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 2018-19 expense amounts to \$14,714,661 (\$13,662,883 in 2017-18). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2017-18) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2017-18) the employee contributions.

PCO's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Consolidated 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

Severance benefits provided to PCO's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2018, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

(in thousands of dollars)	2019	2018
Accrued benefit obligation - Beginning of year	4,531	4,804
Expense for the year	(355)	118
Benefits paid during the year	(401)	(391)
Accrued benefit obligation - End of year	3,775	4,531

6. Accounts receivable and advances

The following table presents details of PCO's accounts receivable and advances balances:

(in thousands of dollars)	2019	2018
Receivables - Other government departments and agencies	3,995	6,805
Receivables - External parties	1,597	1,535
Employee advances	171	153
Subtotal	5,763	8,493
Allowance for doubtful accounts on receivables from external parties	37	37
Net accounts receivable	5,726	8,456

7. Inventory

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

(in thousands of dollars)	2019	2018
Office equipment and furniture	167	49
Informatics equipment	-	222
Total inventory	167	271

PRIVY COUNCIL OFFICE

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

8. Tangible capital assets

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
Assets under construction	Once in service, in accordance with asset class

Assets under construction are recorded in the applicable asset class in the year they are put into service and are not amortized until they are put into service.

Capital Asset Class (in thousands of dollars)	Cost					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions	Adjustments (1)	Disposals and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments (1)	Disposals and Write-Offs	Closing Balance	2019	2018
Machinery and equipment	60	-	-	-	60	51	4	-	-	55	5	9
Informatics hardware	4,521	217	-	-	4,738	3,790	236	-	-	4,026	712	730
Informatics software	11,809	18	1,944	-	13,772	9,307	810	-	-	10,117	3,655	2,502
Other equipment	11,380	164	2,570	-	14,113	5,959	756	-	-	6,714	7,399	5,421
Motor vehicles	452	86	88	20	606	311	51	41	(20)	383	223	141
Assets under construction - software	1,336	1,063	(1,944)	-	455	-	-	-	-	-	455	1,336
Assets under construction - other	4,721	4,140	(2,570)	-	6,291	-	-	-	-	-	6,291	4,721
	34,279	5,688	88	20	40,035	19,418	1,857	41	(20)	21,295	18,740	14,860

(1) Adjustments include assets under construction that were transferred to the other categories upon completion of the assets.

PRIVY COUNCIL OFFICE

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

9. Contractual obligations

The nature of PCO's activities may result in some large multi-year contracts and obligations whereby PCO will be obligated to make future payments in order to carry out its programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2020	2021	2022	2023	2024	2025 and subsequent	Total
Professional and special services	2,403	-	-	-	-	-	2,403
Information	1,682	429	436	-	-	-	2,547
Total	4,085	429	436	-	-	-	4,950

10. Contingent liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown.

These claims include items with pleading amounts and other for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. PCO has recorded an allowance for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made.

PRIVY COUNCIL OFFICE

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

11. Related party transactions

PCO is related as a result of common ownership to all government departments, agencies, and Crown corporations. PCO enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, PCO has an agreement with the Security Intelligence Review Committee and the National Security and Intelligence Committee of Parliamentarians for the provision of finance and administration services which is included in the revenues of section b) of this note. During the year, PCO 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, PCO 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 at the carrying value in PCO's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2019	2018
Accommodation	12,728	10,145
Employer's contribution to the health and dental insurance plans	10,012	8,316
Worker's compensation	1	1
Total	22,741	18,462

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 Services and Procurement Canada are not included in PCO's Statement of Operations and Departmental Net Financial Position. The costs of information technology infrastructure services provided by Shared Services Canada, following the transfer of responsibilities in November 2011 are also not included in PCO's Statement of Operations and Departmental Net Financial Position.

b) Other transactions with other government departments and agencies

(in thousands of dollars)	2019	2018
Expenses	43,571	56,550
Revenues	960	75

PRIVY COUNCIL OFFICE

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

12. Segmented information

Presentation by segment is based on PCO's program inventory. 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 for the main program alignments, by major object of expense and by major type of revenue. The segment results for the period are as follows:

(in thousands of dollars)	Serve the Prime Minister and Cabinet	Internal Services	2019	2018
Expenses				
Salaries and employee benefits	83,871	61,161	145,032	137,039
Professional and special services	13,683	20,094	33,777	44,182
Accommodation	488	12,728	13,216	10,459
Transportation and communications	4,981	3,366	8,347	7,502
Information	14,765	224	14,989	6,893
Acquisition of machinery and equipment	608	4,095	4,703	6,017
Repair and maintenance	298	3,326	3,624	4,567
Amortization of tangible capital assets	69	1,788	1,857	1,912
Rentals	636	1,295	1,931	1,707
Utilities, materials and supplies	343	780	1,123	946
Transfer payments	7,431	-	7,431	110
Other	491	(3,176)	(2,685)	(2,376)
Total Expenses	127,664	105,681	233,345	218,958
Revenues				
Miscellaneous	604	380	24	25
Internal support services	-	-	960	75
Revenues earned on behalf of Government	(1)	(9)	(10)	(80)
Total Revenues	603	371	974	20
Net cost from continuing operations	127,061	105,310	232,371	218,938

PRIVY COUNCIL OFFICE

Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting of the Privy Council Office for Fiscal Year 2018-19 (unaudited)

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 Departmental Plan and Departmental Results Report:

<https://www.canada.ca/en/privy-council/services/reports/departmental-plan/2019-20.html>

<https://www.canada.ca/en/privy-council/services/reports/departmental-results/2017-2018.html>

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.

Internal Audit and Evaluation is responsible for establishing an annual risk-based audit and evaluation plan and performs engagements necessary to provide the Deputy Head with independent assurance on the efficiency and effectiveness of risk management, control and governance processes within the department.

The Departmental Audit Committee (DAC) engages with senior management on internal control issues and provides advice 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 Services and Procurement Canada (PSPC) 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 the service for the acquisition and provision of hardware and software for workplace technology devices to PCO. 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.

3. Departmental assessment results during fiscal year 2018-19

New or significantly amended key controls - The documentation of the redesigned payroll business process and sub-processes continued in 2018-19, with further efforts anticipated in 2019-20 resulting from impacts related to the Phoenix pay system. The travel business process was enhanced, leveraging the capabilities of the Shared Travel System (STS) and blanket pre-authorizations to enable more efficient and timely approvals. The Delegation of Authority Instrument used for financial approvals of travel, hospitality and events was updated and enhanced to increase the operational flexibility and maintain key controls. For the remaining business processes, there were no new or significantly amended key controls.

On-going monitoring program - As part of its rotational on-going monitoring plan, PCO completed its assessment or reassessment of controls for the key processes included section 4.1 below. Overall, the controls are effective and risks are mitigated. However, some areas of improvement related to ensuring documentation is updated and retaining evidence to support the completion of key control activities were identified and management action plans have been developed to address these findings.

4. Departmental action plan

4.1 Progress during fiscal year 2018-19

PCO conducted 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
• Entity Level Controls	Completed. Remediation actions are planned.
• Other Goods and Services (Hospitality)	Completed. Remediation actions are planned.
• Payroll	Monitoring of post-payment processes completed. Remediation actions are planned.
• Payable at year-end (PAYE) and Monthly Accruals	Completed. Remediation actions are planned.
• Contingent Liabilities	Completed. Remedial actions are complete.
• Resource Allocation	Completed as planned; no remedial actions required.
• Budgets Review Exercises	Completed as planned; no remedial actions required.
• Vendor Creation	Completed. Remediation actions are planned.

In addition, in 2018-19 PCO completed the joint audit of the Access to Information and Privacy consultation process in Cabinet Confidences.

4.2 Action plan for the next fiscal year and subsequent years

PCO's rotational on-going monitoring plan over the next fiscal 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 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Entity Level	X		
Other Goods and Services	X		
Travel Expenses		X	
Payroll	X	X	
Financial Delegation		X	
Accounts Receivable and Deposits		X	
Specified Purpose Accounts			X
Payable at year-end (PAYE) and Monthly Accruals	X		
Contingent Liabilities	X		
Capital Assets			X
Budgets Review Exercises	X		
Resource Allocation	X		
Vendors Creation	X		
Other Operating Expenditures		X	
Departmental Net Asset (Liabilities)		X	
Acquisition Cards			X
Events			X

Note: The plan was updated to include further review and documentation related to the Payroll business process in 2019-20. Payroll subprocesses affected by Phoenix including Overpayments, Emergency Salary Advances, Priority Payments, Recoveries and Year-end Reporting were documented and monitored as part of the Payroll monitoring process for 2018-19, and further documentation updates and monitoring will be performed in 2019-20.

