

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

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, 2018, and all information contained in these statements rests with the management of the Secretariat of the National Security and Intelligence Committee of Parliamentarians (the Secretariat). 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, the Secretariat management ensure that a set of accounts provides a centralized record of the Secretariat's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Secretariat'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 the Secretariat 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, 2018 was completed in accordance with the Treasury Board *Policy on Financial Management* and the action plans are summarized in the Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2017-18.

The financial statements of the Secretariat have not been audited.

Rennie Marcoux
Executive Director

Ottawa, Canada
September 7, 2018

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)	2018	2017
Liabilities		
Accounts payable and accrued liabilities (note 4)	503	-
Total liabilities	503	-
Assets		
Financial assets		
Due from Consolidated Revenue Fund	503	-
Total net financial assets	503	-
Departmental net debt	-	-
Departmental net financial position	-	-

Contractual obligations (note 5)

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

Rennie Marcoux
Executive Director

Ottawa, Canada
September 7, 2018

**SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF
PARLIAMENTARIANS**

Statement of Operations and Departmental Net Financial Position (Unaudited)

For the Year Ended March 31

(in thousands of dollars)	Planned Results 2018	2018	2017
Expenses			
Reviews	-	579	-
Internal services	-	19	-
Total Expenses	-	598	-
Net cost of operations before government funding and transfers		598	-
Government funding and transfers			
Net cash provided by Government of Canada		76	
Change in due from the Consolidated Revenue Fund		503	
Services provided without charge by other government departments (note 6a)		19	
Net cost of operations after government funding and transfers		-	-
Departmental net financial position - Beginning of year		-	-
Departmental net financial position - End of year		-	-

Segmented information (note 7)

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

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Statement of Change in Departmental Net Debt (Unaudited)

For the Year Ended March 31

(in thousands of dollars)	2018	2017
Net cost of operations after government funding and transfers	-	-
Change due to tangible capital assets	-	-
Change due to inventories	-	-
Change due to prepaid expenses	-	-
Net increase (decrease) in departmental net debt	-	-
Departmental net debt - Beginning of year	-	-
Departmental net debt - End of year	-	-

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

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Statement of Cash Flow (Unaudited)

For the Year Ended March 31

(in thousands of dollars)	2018	2017
Operating activities		
Net cost of operations before government funding and transfers	598	-
Non-cash items:		
Services provided without charge by other government departments (note 6a)	(19)	-
Variations in Statement of Financial Position:		
Decrease (increase) in accounts payable and accrued liabilities	(503)	-
Cash used in operating activities	76	-
Net cash provided by Government of Canada	76	-

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

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

1. Authority and objectives

On June 22, 2017, the bill to establish the National Security and Intelligence Committee of Parliamentarians and its Secretariat received Royal Assent. Effective October 6, 2017, the Governor in Council, on recommendation of the Prime Minister, established NSICOP with the Order in Council 2017-1236, 2017-1237 and 2017-1238. The Secretariat received its funding on December 11, 2017. The Prime Minister appointed the Committee's eleven members, from both Houses of Parliament, on November 6, 2017.

The Secretariat provides support to an independent committee of Parliamentarians with a mandate to review the activities of Canada's national security and intelligence apparatus. The Secretariat's Executive Director was appointed in December 2017 and has the rank and all the powers of a deputy head of a department.

The Secretariat articulates its plans and priorities based on its core responsibility and program noted below:

Core Responsibility

Assist the National Security and Intelligence Committee of Parliamentarians in fulfilling its mandate. The Secretariat's core responsibility consists of a range of activities to ensure the National Security and Intelligence Committee of Parliamentarians receives timely access to relevant information, strategic and expert advice in the conduct of reviews and development of reports, and support to ensure compliance with security requirements. Results and indicators are under development.

Program

Reviews: This area supports the conduct of reviews identified by the National Security and Intelligence Committee of Parliamentarians. It does so by identifying and securing access to relevant information, conducting research and analyzing information to provide strategic advice to the Committee. This work supports consideration by the Committee of the legislative, regulatory, policy, administrative and financial framework for national security and intelligence, and any activity carried out by a federal department in relation thereto, and enables the development of findings and recommendations.

Internal Services

Internal Services are those groups of related activities and resources that the Federal Government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refer to the activities and resources of ten distinct services that support program delivery in the organization, regardless of the Internal Services delivery model in a department. These services are: Acquisition Management Services, Communications Services, Financial Management Services, Human Resources Management Services, Information Management Services, Information Technology Services, Legal Services, Materiel Management Services, Management and Oversight Services, Real Property Management Services.

2. Summary of significant accounting policies

These financial statements are prepared using the government 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 Secretariat is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Secretariat 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.

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

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

The Secretariat operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Secretariat is deposited to the CRF, and all cash disbursements made by the Secretariat 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 the Secretariat is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Expenses

Expenses are recorded on the accrual basis:

- ✓ Services provided without charge by other government departments for employer contributions to the health and dental insurance plans are recorded as operating expenses at their carrying value.

(e) 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 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. 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.

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

3. Parliamentary authorities

The Secretariat receives 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 Secretariat 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)	2018	2017
Net cost of operations before government funding and transfers	598	-
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge by other government departments	(19)	-
Total items affecting net cost of operations but not affecting authorities	(19)	-
Current year authorities used	579	-

(b) Authorities provided and used

(in thousands of dollars)	2018	2017
Authorities provided:		
Vote 1 - Operating expenditures	4,262	-
Less:		
Lapsed: Operating	(3,683)	-
Current year authorities used	579	-

4. Accounts payable

The following table presents details of the Secretariat's accounts payable:

(in thousands of dollars)	2018	2017
Accounts payable - Other government departments and agencies	468	-
Accounts payable - External parties	35	-
Total accounts payable	503	-

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

5. Contractual obligations

The nature of the Secretariat's activities may result in some large multi-year contracts and obligations whereby the Secretariat 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)	2019	2020	2021	2022	2023	2024 and subsequent	Total
Repair and maintenance	2,326	-	-	-	-	-	2,326
Acquisition of machinery and equipment	79	-	-	-	-	-	79
Professional and special services	19	-	-	-	-	-	19
Information	-	22	-	-	-	-	22
Total	2,424	22	-	-	-	-	2,446

6. Related party transactions

The Secretariat is related as a result of common ownership to all government departments, agencies, and Crown corporations. The Secretariat enters into transactions with these entities in the normal course of business and on normal trade terms.

In addition, the Secretariat has an agreement with Privy Council Office related to the provision of finance and administration services which is included in section b). During the year, the Secretariat 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 Secretariat received services without charge from certain common service organizations, related to the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded at the carrying value in the Secretariat's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2018	2017
Employer's contribution to the health and dental insurance plans	19	-
Total	19	-

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 the Secretariat'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 the Secretariat's Statement of Operations and Departmental Net Financial Position.

b) Other transactions with other government departments and agencies

(in thousands of dollars)	2018	2017
Expenses	545	-

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

7. Segmented information

Presentation by segment is based on the Secretariat's core responsibility. 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 for the main core responsibilities, by major object of expense. The segment results for the period are as follows:

(in thousands of dollars)	<i>Reviews</i>	<i>Internal services</i>	2018	2017
Expenses				
Repair and maintenance	330	-	330	-
Salaries and employee benefits	211	19	230	-
Professional and special services	24	-	24	-
Transportation and communications	9	-	9	-
Information	5	-	5	-
Total Expenses	579	19	598	-
Net cost of operations before government funding and transfers	579	19	598	-

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting

1. Introduction

This document provides summary information on measures taken by the Secretariat of the National Security and Intelligence Committee of Parliamentarians (the Secretariat) 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 the Secretariat's authority, mandate, and programs can be found in our Departmental Plan <https://www.canada.ca/en/secretariat-national-security-intelligence-committee-parliamentarians/corporate/transparency.html>

2. Departmental system of internal control over financial reporting

2.1 Internal Control Management

The Secretariat 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. The Secretariat's objective is to implement 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.

The Secretariat's control environment will enable its staff to effectively manage risks through raising awareness, providing appropriate knowledge, as well as developing skill sets. This control environment will set the tone for the Secretariat, and will be the foundation for its ICFR. The Secretariat will establish governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. A departmental internal management control framework will be approved by the Executive Director and implemented. It 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.

2.2 Service Arrangements relevant to financial statements

The Secretariat 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 the Secretariat with information used to calculate various accruals and allowances, such as the accrued severance liability; and
- Shared Services Canada (SSC) provides IT infrastructure services to the Secretariat 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 the Secretariat. The scope and responsibilities are addressed in the interdepartmental arrangement between SSC and the Secretariat.

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Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting

Specific Arrangements:

- The Secretariat's financial transactions are processed by the Privy Council Office's (PCO) within their financial system. The control environment being established at the Secretariat is similar to PCO's control environment. Therefore, transactions are for the most part subject to the same control environment. These services are the subject of a MOU between the two organizations.

3. Departmental assessment results during fiscal year 2017-18

As a new department, the Secretariat is still at the stage of establishing its business processes and implementing its control environment. In the next fiscal years, significant work will be performed to reach the ongoing monitoring stage.

4. Departmental action plan

4.1 Action plan for the next fiscal year and subsequent years

The Secretariat'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 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
Hospitality	X		
Travel Expenses		X	
Payroll			X
Payable at year-end (PAYE) and Monthly Accruals		X	
Budgets Review Exercises			X

Note: In 2017-2018 and 2018-2019, the risk assessment phase, documentation phase and design effectiveness testing phase will be completed for each of the business processes listed above. Therefore, operating effectiveness testing and ongoing monitoring will start in 2019-2020. New high risk business processes may be identified in future fiscal years. The plan will be updated, if applicable, to include these new business processes.