



Public Prosecution
Service of Canada

Service des poursuites
pénales du Canada

PPSC Financial Statements 2017-2018

Office of the Director of Public Prosecutions



This publication presents the Public Prosecution Service of Canada Financial Statements for the fiscal year 2017-2018.

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PPSC Financial Statements 2017–2018

Office of the Director of Public Prosecutions

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Financial Statements

- [Statement of Management Responsibility Including Internal Control over Financial Reporting 2017-18](#)
- [Statement of Financial Position \(unaudited\)](#)
- [Statement of Operations and Departmental Net Financial Position \(unaudited\)](#)
- [Statement of Change in Departmental Net Debt \(unaudited\)](#)
- [Statement of Cash Flows \(unaudited\)](#)
- [Notes to the Financial Statements \(unaudited\)](#)
- [Annex – Assessment of Internal Control over Financial Reporting](#)

Statement of Management Responsibility Including Internal Control over Financial Reporting 2017-18

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 Office of the Director of Public Prosecutions (ODPP), also known as the Public Prosecution Service of Canada (PPSC). 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 fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the ODPP's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the PPSC'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 ODPP; 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 the effectiveness of associated 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 Internal Control and the results and action plans are summarized in the annex.

The effectiveness and adequacy of the ODPP’s system of internal control are included as part of internal audit staff’s risk-based approach to evaluate and improve the effectiveness of risk management, control and governance processes and supported by the Departmental Audit Committee, which oversees management responsibilities for maintaining control systems and the quality of financial reporting, and, which recommends the financial statements to the Director of Public Prosecution Services.

The financial statements of the ODPP have not been audited.

Original version was signed by Kathleen Roussel and Mélanie Lamoureux.

Kathleen Roussel
Director of Public Prosecutions and Deputy Attorney General of Canada

Mélanie Lamoureux, CPA, CMA
Chief Financial Officer

Ottawa, Canada
Date: _____

Statement of Financial Position (Unaudited)

As at March 31
(in thousands of dollars)

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	2018	2017
Liabilities		
Accounts payable and accrued liabilities (note 4)	29,493	34,111
Employee future benefits (note 5)	5,955	5,774
Vacation pay and compensatory leave	5,973	5,555
Total liabilities	41,421	45,440
Financial assets		
Due from the Consolidated Revenue Fund	18,814	22,694
Accounts receivable and advances (note 6)	9,091	7,321
Total gross financial assets	27,905	30,015
Financial assets held on behalf of Government		
Accounts receivable and advances (note 6)	(41)	(11)
Total financial assets held on behalf of Government	(41)	(11)
Total net financial assets	27,864	30,004
Departmental net debt	13,557	15,436
Non-financial assets		
Tangible capital assets (note 7)	4,252	7,263
Total non-financial assets	4,252	7,263
Departmental net financial position	(9,305)	(8,173)

Contingent liabilities ([note 8](#))

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

Original version was signed by Kathleen Roussel and Mélanie Lamoureux.

Kathleen Roussel

Director of Public Prosecutions and Deputy Attorney General of Canada

Mélanie Lamoureux, CPA, CMA

Chief Financial Officer

Ottawa, Canada

Date: _____

Statement of Operations and Net Financial Position (Unaudited)

For the year ended March 31
(in thousands of dollars)

	2018 Planned Results	2018	2017
Expenses			
Drug, National Security and Northern Prosecutions Program —*	157,042	149,787	152,426
Regulatory offences and economic crime prosecution program	51,452	42,283	40,599
Commissioner of Canada Elections - Compliance and Enforcement	3,899	4,838	4,616
Internal services	22,703	24,593	25,780
Total expenses	235,096	221,501	223,421
Revenues			
Prosecution Services	22,742	19,476	19,890
Proceeds from disposal of tangible capital assets	-	-	15
Fines, forfeitures and court costs —**	1,000	654	788
Rent from residential housing provided to employees —**	500	583	488
Other —**	45	25	37

Revenues earned on behalf of Government	(1,545)	(1,262)	(1,313)
Total revenues	22,742	19,476	19,905
Net cost of operations before government funding and transfers	212,354	202,025	203,516
Government funding and transfers			
Net cash provided by Government	-	183,278	175,968
Change in due from Consolidated Revenue Fund	-	(3,880)	(332)
Services provided without charge by other government departments (note 9)	-	21,495	21,987
Transfer of the transition payments for implementing salary payments in arrears (note 10)	-	-	(2)
Net cost of operations after government funding and transfers	-	1,132	5,895
Departmental net financial position - Beginning of year	-	(8,173)	(2,278)
Departmental net financial position - End of year	-	(9,305)	(8,173)



Formerly entitled Drug, Criminal Code and terrorism prosecution program



Non-respendable revenue

Segmented information ([note 11](#))

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

Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31
(in thousands of dollars)

	Planned Results 2018	2018	2017
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Net cost of operations after government funding and transfers	-	1,132	5,895
Change due to tangible capital assets			
Acquisition of tangible capital assets (note 7)	-	1,874	1,268
Amortization of tangible capital assets (note 7)	-	(4,885)	(4,841)
Proceeds from disposal of tangible capital assets	-	-	(15)
Gain on disposal of tangible capital assets including adjustments	-	-	29
Total change due to tangible capital assets	-	(3,011)	(3,559)
Net increase (decrease) in departmental net debt	-	(1,879)	2,336
Departmental net debt - Beginning of year	-	15,436	13,100
Departmental net debt - End of year	-	13,557	15,436

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

Statement of Cash Flows (Unaudited)

For the year ended March 31
(in thousands of dollars)

	2018	2017
Operating activities		
Net cost of operations before government funding and transfers	202,025	203,516
Non-cash items:		
Amortization of tangible capital assets (note 7)	(4,885)	(4,841)
Gain on disposal of tangible capital assets including adjustments	-	29
Services provided without charge by other government departments (note 9)	(21,495)	(21,987)
Transition payments for implementing salary payments in arrears (note 10)	-	2
Variations in Statement of Financial Position:		

Increase in accounts receivable and accountable advances	1,740	3,334
Decrease (increase) in accounts payable and accrued liabilities	4,618	(6,126)
Increase in vacation pay and compensatory leave	(418)	(923)
Increase (decrease) in employee future benefits	(181)	1,711
Cash used in operating activities	181,404	174,715
Capital investing activities		
Acquisitions of tangible capital assets (note 7)	1,874	1,268
Proceeds from disposal of tangible capital assets	-	(15)
Cash used in capital investing activities	1,874	1,253
Net cash provided by Government of Canada	183,278	175,968

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

Notes to the Financial Statements (Unaudited)

1. Authority and objectives

On December 12, 2006, the Office of the Director of Public Prosecution (ODPP), also known as the Public Prosecution Service of Canada, was created by the Director of Public Prosecutions Act, which is Part 3 of the Federal Accountability Act. The ODPP took over the duties of the former Federal Prosecution Service within the Department of Justice.

On October 1, 2014, by virtue of the coming into force of amendments to the Canada Elections Act, the Office of the Commissioner of the Canada Elections (OCCE) was transferred from Elections Canada to the ODPP. The Commissioner and the Director exercise their respective statutory duties independently from each other, even while operating within the same organization.

The ODPP has two strategic outcomes and four program activities in addition to internal services:

Strategic Outcome: Criminal and regulatory offences under federal law are prosecuted in an independent, impartial and fair manner.

- **Drug, national security and northern prosecutions program (formerly entitled Drug, Criminal Code and terrorism prosecution program)**

This program supports the protection of Canadian society against crime through the provision of legal advice and litigation support during police investigations, and the prosecution of: all drug

offences under the Controlled Drugs and Substances Act and any related organized crime and proceeds of crime offences throughout Canada, except in Quebec and New Brunswick, where the ODPP prosecutes such offences only where charges are laid by the Royal Canadian Mounted Police; pursuant to understandings with the provinces, Criminal Code offences where they are related to drug charges; all Criminal Code offences in the three territories; terrorism and national security offences; and war crimes and crimes against humanity offences. This program activity also involves the promotion of federal/provincial/territorial cooperation on criminal justice issues of mutual concern.

- **Regulatory offences and economic crime prosecution program**

This program supports the protection of Canadian society against crime through the provision of legal advice and litigation support to federal investigative agencies, and the prosecution of: offences under federal statutes aimed at protecting the environment and natural resources as well as the country's economic and social health (e.g., Fisheries Act, Income Tax Act, Copyright Act, Canada Elections Act, Canadian Environmental Protection Act (1999), Competition Act, Customs Act, Excise Act, and the Excise Tax Act); offences involving fraud against the government; capital market fraud offences; and any conspiracies and attempts to violate any of these statutes. This program also includes the recovery of outstanding federal fines and the promotion of federal/provincial/territorial cooperation on criminal justice issues of mutual concern.

Strategic Outcome: Compliance and enforcement activities under the Canada Elections Act and Referendum Act are conducted by the Commissioner of Canada Elections in an independent, impartial and fair manner.

- **Compliance and Enforcement**

This program supports the integrity of Canada's electoral process by mandating the Commissioner of Canada Elections, an independent officer, to receive complaints and conduct investigations concerning potential violations under the Canada Elections Act and the Referendum Act. This program includes the use of non-punitive and informal corrective measures in response to certain situations of non-compliance and the conclusion of compliance agreements with offenders; and/or taking enforcement measures to respond to situations of non-compliance. It also includes deciding which matters will be referred to the ODPP with a recommendation that charges be laid.

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 of activities are: Management and Oversight Services; Communications Services; Legal Services, Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Material Management Services; Real Property Services; and Acquisition 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 ODPP is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the ODPP 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 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 Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2017-18 Departmental Plan. The Planned results in the "Government funding and transfers" section of the Statement of Operations and Net Financial Position and the Statement of Change in Departmental Net Debt were prepared for internal management purposes and have not been previously published.

(b) Net cash provided by Government

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

Amounts due from/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 ODPP is entitled to draw from the CRF without further appropriations to discharge its liabilities.

(d) Revenues

- Revenues derived from the provision of prosecution related advice or the conduct of prosecutions.
- Fines, forfeitures and court costs are recognized upon receipt of payment by the ODPP.
- Revenues that are non-respendable are not available to discharge the ODPP's liabilities. While the Deputy Head 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 in reduction of the entity's gross revenues.

(e) Expenses

Expenses are recorded on the accrual basis:

- 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 and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

- **Pension benefits:** Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. The ODPP's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The ODPP'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:** 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 receivables where recovery is considered uncertain.

(h) Contingent liabilities

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

(i) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of \$10,000  or more are recorded at their initial cost. The ODPP does not capitalize intangibles, 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
Informatics hardware	3 to 5 years
Informatics software	3 to 5 years
Furniture and furnishings	10 years
Motor vehicles	5 years
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement



Effective fiscal year 2017-18, the initial cost threshold for recording and amortizing informatics hardware as well as furniture and furnishings as capital assets has been increased from \$1,000 to \$10,000 (refer to note 12 for further details)

(j) 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 liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management estimates are periodically reviewed and as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary authorities

The ODPP receives most of its funding through annual Parliamentary authorities. Items recognized in the Statement of Operations and 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 ODPP 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	202,025	203,516
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge by other government departments	(21,495)	(21,987)
Amortization of tangible capital assets	(4,885)	(4,841)
Gain from disposal of tangible capital assets	-	15
Increase (decrease) in employee future benefits	(181)	1,711
Increase in vacation pay and compensatory leave	(418)	(923)
Employee benefits recovered	1,849	1,878
Refunds of previous year expenses	1,716	80
Decrease (increase) in accrued liabilities not charged to authorities	-	(3,844)
Bad debt expense	-	(3)
Total items affecting net cost of operations but not affecting authorities	(23,414)	(27,914)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	1,874	1,268
Transition payments for implementing salary payments in arrears	-	2
Other	1,016	713
Total items not affecting net cost of operations but affecting authorities	2,890	1,983
Current year authorities used	181,501	177,585

(b) Authorities provided and used***(in thousands of dollars)***

	2018	2017
Authorities provided:		
Vote 1 - Program expenditures	174,525	172,823

Statutory amounts	18,958	19,414
Total authorities provided	193,483	192,237
Lapsed: Operating	(11,982)	(14,637)
Authorities available for future years	-	(15)
Current year authorities used	181,501	177,585

4. Accounts payable and accrued liabilities

The following table presents details of the ODPP's accounts payable and accrued liabilities:

(in thousands of dollars)

	2018	2017
Accounts payable - Other government departments and agencies	970	892
Accounts payable - External parties	16,562	21,134
Total accounts payable	17,532	22,026
Accrued liabilities	11,961	12,085
Total accounts payable and accrued liabilities	29,493	34,111

5. Employee future benefits

(a) Pension benefits

The ODPP'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/Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and the ODPP 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 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 2017-18 expense amounts to \$10,577,167 (\$11,356,357 in 2016-17). For Group 1 members, the expense represents approximately 1.01 times (1.12 times for 2016-17) the employee contributions and, for Group 2 members, approximately 1.00 times (1.08 times for 2016-17) the employee contributions.

The ODPP's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Financial Statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits

Severance benefits provided to the ODPP'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, 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)

	2018	2017
Accrued benefit obligation, beginning of year	5,774	7,485
Expense for the year	476	(1,359)
Benefits paid during the year	(295)	(352)
Accrued benefit obligation, end of year	5,955	5,774

6. Accounts receivable and advances

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

(in thousands of dollars)

	2018	2017
Receivables - Other government departments and agencies	5,670	6,443
Receivables - External parties	3,415	872

Employee advances	6	6
Sub-total	9,091	7,321
Less: Allowances for doubtful accounts on external receivables	-	-
Gross accounts receivable and advances	9,091	7,321
Accounts receivable held on behalf of Government	(41)	(11)
Net accounts receivable and advances	9,050	7,310

7. Tangible capital assets

Cost

(in thousands of dollars)

Capital asset class	Opening Balance	Acquisitions	Disposals, transfers and adjustments <input type="text" value="*/-"/>	Closing Balance
Informatics hardware	1,451	7	1,426	32
Informatics software	333	-	295	38
Furniture and furnishings	4,744	266	3,999	1,011
Motor vehicles	98	35	49	84
Leasehold improvements	12,861	1,566	-	14,427
Total Cost	19,487	1,874	5,769	15,592

Accumulated amortization

(in thousands of dollars)

Capital asset class	Opening Balance	Amortization	Disposals, transfers and adjustments <input type="text" value="*/-"/>	Closing Balance
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Informatics hardware	674	764	1,426	12
Informatics software	72	246	296	22
Furniture and furnishings	2,703	1,731	3,999	435
Motor vehicles	70	15	48	37
Leasehold improvements	8,705	2,129	-	10,834
Total accumulated amortization	12,224	4,885	5,769	11,340

Net book value
(in thousands of dollars)

Capital asset class	2017	2018
Informatics hardware	777	20
Informatics software	261	16
Furniture and furnishings	2,041	576
Motor vehicles	28	47
Leasehold improvements	4,156	3,593
Total net book value	7,263	4,252

*

Effective fiscal year 2017-18, the initial cost threshold for recording and amortizing informatics hardware as well as furniture and furnishings as capital assets has been increased from \$1,000 to \$10,000 (refer to note 12 for further details)

8. Contingent liabilities

Claims have been made against the Office in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. The ODPP has recorded an allowance for claims and litigations where it is likely that there would be a future payment and a reasonable estimate of the loss can be made. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$15,735,000 (\$8,860,000 at March 31, 2017) at March 31, 2018.

9. Related party transactions

The ODPP is related as a result of common ownership to all Government departments, agencies, and Crown Corporations. The ODPP enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, the ODPP received and provided 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 ODPP received services without charge from certain common service organizations, related to accommodation, legal services and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in the ODPP's Statement of Operations as follows:

(in thousands of dollars)

	2018	2017
Accommodation	12,904	13,346
Employer's contribution to the health and dental insurance plans	8,591	8,641
Total	21,495	21,987

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 Statement of Operations.

(b) Common services provided without charge to other government departments

During the year, the ODPP provided services without charge to other government departments, related to the provision of legal services, in the amount of \$8,962,788 (\$9,800,187 in 2016-17).

(c) Other transactions with related parties

(in thousands of dollars)

	2018	2017
Expenses - Other Government departments and agencies	22,721	23,243
Revenues - Other Government departments and agencies	19,842	20,459

Expenses and revenues disclosed in (c) exclude common services provided without charge, which are already disclosed in (a).

10. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014-15. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay process. This change to the pay system had no impact on the expenses of the ODPP. However, it did result in the use of additional spending authorities by the ODPP. Prior to year-end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Services and Procurement Canada, who is responsible for the administration of the Government pay system.

11. Segmented Information

Presentation by segment is based on the Office's program activity 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 for the main program activities, by major object of expense and by major types of revenue. The segment results for the period are as follows:

(in thousands of dollars)

	Drug, National Security and Northern Prosecutions	Regulatory offences and economic crime	Compliance and Enforcement	Internal services	2018	2017

	Program [*]	prosecution program				
Expenses						
Salaries and employee benefits	90,824	25,867	2,469	15,821	134,981	132,215
Professional and special services - Counsel fees	31,232	8,703	1	4,650	44,586	45,523
Accommodation	10,061	2,803	-	1,498	14,362	14,769
Professional and special services - Other	5,021	1,399	1,898	748	9,066	8,320
Travel and relocation	4,978	1,387	108	741	7,214	7,354
Amortization of tangible capital assets	3,422	954	-	509	4,885	4,841
Allowance for contingent liabilities	-	-	-	-	-	3,844
Utilities, materials and supplies	1,236	344	57	184	1,821	1,723
Communication	1,080	301	51	161	1,593	1,672
Machinery and equipment	716	199	55	107	1,077	263
Rental	420	117	187	63	787	553
Information	425	119	6	63	613	745
Repairs and maintenance	174	48	5	26	253	233

Bad debts	-	-	-	-	-	3
Other	149	42	1	22	214	80
Claims and ex-gratia payments	49	-	-	-	49	1,283
Total expenses	149,787	42,283	4,838	24,593	221,501	223,421
Revenues						
Prosecution Services	-	19,369	-	107	19,476	19,890
Proceeds from disposal of assets	-	-	-	-	-	15
Fines, forfeitures and court costs	81	-	-	573	654	788
Rent from residential housing provided to employees	583	-	-	-	583	488
Other	24	-	-	1	25	37
Revenues earned on behalf of Government	(688)	-	-	(574)	(1,262)	(1,313)
Total revenues	-	19,369	-	107	19,476	19,905
Net cost of operations	149,787	22,914	4,838	24,486	202,025	203,516

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Formerly entitled Drug, Criminal Code and terrorism prosecution program

12. Change in Accounting Policy

The initial cost threshold for recording and amortizing informatics hardware as well as furniture and furnishings as capital assets has been increased from \$1,000 to \$10,000. This change was made in order to better align the ODPP's Capital Assets Policy with Treasury Board Policies. This change in accounting policy has not been applied retroactively by adjusting the opening balance of the accumulated deficit or restating prior periods because the effect of this change in accounting policy on prior periods is not reasonably determinable. The effect of the change has been reflected in the current period by way of: 1) fully amortizing all assets in the stated asset categories with a historical cost of less than \$10,000; and 2) adjusting the cost of assets and accumulated amortization to remove the assets from ODPP's recorded capital assets. The cumulative adjustment to the net book value and amortization expense in the current year is \$765,000 for informatics hardware and \$1,465,000 for furniture and furnishings.

Annex – Assessment of Internal Control over Financial Reporting

Note to the reader

In accordance with the Treasury Board *Policy on Financial Management*, departments are required to demonstrate the measures they are taking to maintain an effective system of internal control over financial reporting (ICFR).

Under this policy, departments are expected to conduct annual assessments of their system of ICFR, establish action plan(s) to address any necessary adjustments, and to attach to their *Statements of Management Responsibility* a summary of their assessment results and action plan.

Effective systems of ICFR aim to achieve reliable financial statements and to provide assurances that:

- transactions are appropriately authorized;
- financial records are properly maintained;
- assets are safeguarded from risks such as waste, abuse, loss, fraud and mismanagement; and
- applicable laws, regulations and policies are followed.

The system of ICFR is not designed to eliminate all risks, but rather to mitigate risk to a reasonable level with controls that are balanced with and proportionate to the risks they aim to mitigate.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess the effectiveness of associated controls and to adjust, as required, as well as to monitor the system in support of continuous improvement. As a result, the scope, pace and status of those departmental assessments of the effectiveness of their system of ICFR will vary from one organization to another based on risks and taking into account their unique circumstances.

1. Introduction

This document is an annex to the *Statement of Management Responsibility Including Internal Control over Financial Reporting* (ICFR) for the Fiscal Year 2017-18 of the Office of the Director of Public Prosecutions (ODPP), also known as the Public Prosecution Service of Canada (PPSC). This document provides summary information on the measures taken by the ODPP to maintain an effective system of ICFR, including information on internal control management, assessment results and related action plans.

1.1 Authority, Mandate and Program Activities

Detailed information on the authority, mandate and program activities can be found in the *2017-18 Departmental Results Report* and the *2017-18 Departmental Plan for the Public Prosecution Service of Canada*.

2. ODPP's system of internal control over financial reporting

The ODPP 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 ODPP's focus is to ensure risks are well managed through a responsive and risk-based control environment that enables continuous improvement and innovation.

2.1 Internal control management

The Deputy Head has approved a governance and accountability structure to support the assessment efforts and oversight of its system of internal control. It includes:

- Organizational accountability structures as they relate to internal control management to support sound financial management, including roles and responsibilities of senior managers in their areas of responsibility for control management;
- Values and ethics;
- Ongoing communication and training on statutory requirements; and policies and procedures for sound financial management and control; and
- Monitoring and regular updates on internal control management, as well as the provision of related assessment results and action plans to the Deputy Head, the Resource Management Committee and the Departmental Audit Committee. The Departmental Audit Committee provides advice to the Deputy Head on the adequacy and functioning of the ODPP's risk management, control and governance frameworks and processes.

2.2 Service arrangements relevant to financial statements

The ODPP relies on other organizations for the processing of certain transactions that are recorded in its financial statements as follows:

Common Arrangements

- Public Services and Procurement Canada issues all government payments and provides procurement and accommodation services as well as pay services to departments and employees;
- The Treasury Board of Canada Secretariat provides the ODPP with information used to calculate various accruals and allowances, such as the accrued severance liability and employer's contribution to the health and dental insurance plans;
- The Department of Justice Canada (Justice) provides legal services to ODPP; and
- Shared Services Canada (SSC) provides information technology (IT) infrastructure services to the ODPP in the areas of data centre and network services. The scope and responsibilities are addressed in the interdepartmental arrangement between SSC and Justice which hosts these services for the ODPP. In addition to this, the ODPP also has supply agreements in place with SSC for the provision of these services to our northern regions.

Specific Arrangements

- Justice provides the ODPP with information technology services and is responsible for information technology general controls design and operating effectiveness testing, and the related remediation on behalf of ODPP; and
- Justice provides certain internal services, such as library and reception services.

Service Arrangements where the ODPP is the common or specific service provider

- The ODPP is the common service provider of prosecution services to federal departments and agencies and as such, charges these organizations with the cost of providing prosecution services related to regulation and economic crimes; and
- The ODPP provides certain internal services to Justice's Northern Regions, such as IT Management Services.

3. ODPP's assessment results during fiscal year 2017-18

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

3.1 New or significantly amended key controls – in the current year, there were new or significantly amended key controls in existing processes which required a reassessment.

- **Payroll & Benefits:** Following the transition to the new pay centre and the Phoenix payroll system, new processes and controls have been implemented to mitigate issues arising from the transition, such as analysis of pay files and monitoring of high risk transactions. The internal control group is developing a plan to achieve a low risk control framework for pay related transactions.
- **Procurement, Payables and Payment:** Following the departmental increase of the threshold for the use of acquisition cards, new controls have been implemented to mitigate risks, such as

the analysis of acquisition cards usage and monitoring of contract irregularities.

3.2 Ongoing monitoring program

Business process: This year, the ODPP initiated the assessment of the design effectiveness of the key controls of the payroll & benefits process as well as the accounts receivable process.

Operating expenses: The ODPP conducted data analysis related to financial activities such as the use of travel and acquisition cards, accounts payable, payroll, and interdepartmental settlements in order to assess the fluctuation of risk levels.

IT Service arrangements relevant to the financial statements: An agreement has been put in place where Justice has committed to providing assurance on internal controls in place for financial and HR systems and their respective oversight as well as for the proper management of Information Technology.

4. ODPP's action plan

The ODPP takes a risk-based approach to correct significant control deficiencies. It should be noted that the ODPP accepts that certain corrective actions may require a reasonable amount of time to complete due to the level of complexity and/or effort. For low risk items, management may choose to accept the stated risk, with no further corrective action being undertaken. All remediation actions are tracked through management action plans (MAPs) which are regularly monitored and reported to senior management and the Departmental Audit Committee.

4.1 Action plan for the next fiscal year and subsequent years

During 2018-19, the ODPP will continue to focus its internal control resources on conducting ongoing rotational monitoring that was initiated in 2016-17, based on a three-year plan and an annual validation of high risk processes.

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