



Public Prosecution
Service of Canada

Service des poursuites
pénales du Canada

PPSC Financial Statements 2018-2019

Office of the Director of Public Prosecutions



This publication presents the Public Prosecution Service of Canada Financial Statements for the fiscal year 2018-2019.

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For more information, contact:

Public Prosecution Service of Canada
160 Elgin Street, 12th Floor
Ottawa ON Canada K2P 2C4
info@ppsc.gc.ca

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PPSC Financial Statements 2018-2019

Office of the Director of Public Prosecutions

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Financial Statements

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Statement of Management Responsibility Including Internal Control over Financial Reporting 2018-19

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 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, 2019, was completed in accordance with the Treasury Board Policy on Financial Management 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 the 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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	2019	2018
Liabilities		
Accounts payable and accrued liabilities (note 4)	28,175	29,493
Employee future benefits (note 5)	5,197	5,955
Vacation pay and compensatory leave	6,725	5,973
Total liabilities	40,097	41,421
Financial assets		
Due from the Consolidated Revenue Fund	19,506	18,814
Accounts receivable and advances (note 6)	7,451	9,091
Total gross financial assets	26,957	27,905
Financial assets held on behalf of Government		
Accounts receivable and advances (note 6)	(66)	(41)
Total financial assets held on behalf of Government	(66)	(41)
Total net financial assets	26,891	27,864
Departmental net debt	13,206	13,557
Non-financial assets		
Tangible capital assets (note 7)	6,747	4,252
Total non-financial assets	6,747	4,252
Departmental net financial position	(6,459)	(9,305)

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)

	2019 Planned Results	2019	2018
Expenses			
Prosecution Services * —	205,495	201,142	192,070
Commissioner of Canada Elections - Compliance and Enforcement (note 11)	3,558	4,636	4,838
Internal Services	23,597	24,165	24,593
Total expenses	232,650	229,943	221,501
Revenues			
Prosecution Services	22,742	17,588	19,476
Fines, forfeitures and court costs ** —	1,000	370	654
Rent from residential housing provided to employees ** —	500	506	583
Other ** —	45	56	25
Revenues earned on behalf of Government	(1,545)	(932)	(1,262)
Total revenues	22,742	17,588	19,476

Net cost of operations before government funding and transfers	209,908	212,355	202,025
Government funding and transfers			
Net cash provided by Government	-	194,335	183,278
Change in due from Consolidated Revenue Fund	-	692	(3,880)
Services provided without charge by other government departments (note 9)	-	20,244	21,495
Other transfers of asset and liabilities to other government departments	-	(70)	-
Net cost of operations after government funding and transfers	-	(2,846)	1,132
Departmental net financial position - Beginning of year	-	(9,305)	(8,173)
Departmental net financial position - End of year	-	(6,459)	(9,305)



Formerly entitled Drug, National Security and Northern Prosecutions Program & Regulatory Offences and Economic Crime Prosecution Program



Non-respendable revenue

Segmented information ([note 10](#))

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 2019	2019	2018
Net cost of operations after government funding and transfers	-	(2,846)	1,132

Change due to tangible capital assets			
Acquisition of tangible capital assets (note 7)	-	3,738	1,874
Amortization of tangible capital assets (note 7)	-	(1,243)	(4,885)
Total change due to tangible capital assets	-	2,495	(3,011)
Net decrease in net debt	-	(351)	(1,879)
Departmental net debt - Beginning of year	-	13,557	15,436
Departmental net debt - End of year	-	13,206	13,557

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)

	2019	2018
Operating activities		
Net cost of operations before government funding and transfers	212,355	202,025
Non-cash items:		
Amortization of tangible capital assets (note 7)	(1,243)	(4,885)
Services provided without charge by other government departments (note 9)	(20,244)	(21,495)
Other transfers of asset and liabilities to/(from) other government departments	70	-
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and accountable advances	(1,665)	1,740
Decrease in accounts payable and accrued liabilities	1,338	4,618
Increase in vacation pay and compensatory leave	(752)	(418)
Increase (decrease) in employee future benefits	758	(181)

Cash used in operating activities	190,597	181,404
Capital investing activities		
Acquisitions of tangible capital assets (note 7)	3,738	1,874
Cash used in capital investing activities	3,738	1,874
Net cash provided by Government of Canada	194,335	183,278

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 core responsibilities in addition to internal services:

- **Prosecution Services**

The Office of the Director of Public Prosecutions (ODPP) prosecutes criminal and regulatory offences under federal law in an independent, impartial and fair manner. It also provides prosecutorial legal advice to investigative agencies.

- **Electoral Compliance and Enforcement ([note 11](#))**

Compliance and enforcement activities under the Canada Elections Act and the Referendum Act are conducted by the Office of the Commissioner of Canada Elections (OCCE) in an independent, impartial and fair manner.

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 refers to the activities and resources of the 10 distinct service categories that support Program delivery in the organization, regardless of the Internal Services delivery model in a department. The 10 service categories 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; and Acquisition Services.

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 2018-19 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, including the allowance for guarantees, 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) Contingent assets

Contingent assets are possible assets which may become actual assets when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, the contingent asset is disclosed in the notes to the financial statements.

(j) 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 reserves as defined in the Indian Act, 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

(k) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements 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 severance 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.

3. Parliamentary authorities

The ODPP receives most of its funding through annual Parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years.

Accordingly, the 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)

	2019	2018
Net cost of operations before government funding and transfers	212,355	202,025
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge by other government departments	(20,244)	(21,495)
Amortization of tangible capital assets	(1,243)	(4,885)
Increase (decrease) in employee future benefits	758	(181)
Increase in vacation pay and compensatory leave	(752)	(418)
Employee benefits recovered	1,471	1,849
Refunds of previous year expenses	126	1,716
Decrease (increase) in accrued liabilities not charged to authorities	(250)	-
Bad debt expense	(1)	-
Total items affecting net cost of operations but not affecting authorities	(20,135)	(23,414)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	3,738	1,874
Other	810	1,016
Total items not affecting net cost of operations but affecting authorities	4,548	2,890
Current year authorities used	196,768	181,501

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

	2019	2018

Authorities provided:		
Vote 1 - Program expenditures	181,013	174,525
Statutory amounts	20,269	18,958
Total authorities provided	201,282	193,483
Lapsed: Operating	(4,514)	(11,982)
Current year authorities used	196,768	181,501

4. Accounts payable and accrued liabilities

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

(in thousands of dollars)

	2019	2018
Accounts payable - Other government departments and agencies	4,152	970
Accounts payable - External parties	5,702	16,562
Total accounts payable	9,854	17,532
Accrued liabilities	18,321	11,961
Total accounts payable and accrued liabilities	28,175	29,493

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 2018-19 expense amounts to \$11,095,428 (\$10,577,167 in 2017-18). For Group 1 members, the expense represents approximately 1.01 times (1.01 times for 2017-18) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times for 2017-18) 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, 2019, 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	5,955	5,774
Expense for the year	(509)	476
Benefits paid during the year	(249)	(295)
Accrued benefit obligation, end of year	5,197	5,955

6. Accounts receivable and advances

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

(in thousands of dollars)

	2019	2018
Receivables - Other government departments and agencies	3,462	5,670
Receivables - External parties	3,984	3,415

Employee advances	6	6
Sub-total	7,452	9,091
Less: Allowances for doubtful accounts on external receivables	(1)	-
Gross accounts receivable and advances	7,451	9,091
Accounts receivable held on behalf of Government	(66)	(41)
Net accounts receivable and advances	7,385	9,050

7. Tangible capital assets

Cost

(in thousands of dollars)

Capital asset class	Opening Balance	Acquisitions	Disposals, transfers and adjustments	Closing Balance
Informatics hardware	31	-	-	31
Informatics software	38	11	-	49
Furniture and furnishings	1,011	-	22	989
Motor vehicles	84	-	-	84
Leasehold improvements	14,427	3,727	-	18,154
Total Cost	15,591	3,738	22	19,307

Accumulated amortization

(in thousands of dollars)

Capital asset class	Opening Balance	Amortization	Disposals, transfers and adjustments	Closing Balance
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Informatics hardware	11	8	-	19
Informatics software	22	15	-	37
Furniture and furnishings	435	99	22	512
Motor vehicles	37	17	-	54
Leasehold improvements	10,834	1,104	-	11,938
Total accumulated amortization	11,339	1,243	22	12,560

Net book value (in thousands of dollars)

Capital asset class	2018	2019
Informatics hardware	20	12
Informatics software	16	12
Furniture and furnishings	576	477
Motor vehicles	47	30
Leasehold improvements	3,593	6,216
Total net book value	4,252	6,747

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 \$15,500,000 (\$15,735,000 at March 31, 2018) at March 31, 2019.

9. Related party transactions

The ODPP is related as a result of common ownership to all Government departments, agencies, and Crown Corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual.

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)

	2019	2018
Accommodation	11,965	12,904
Employer's contribution to the health and dental insurance plans	8,279	8,591
Total services provided without charge	20,244	21,495

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 \$9,488,749 (\$8,962,788 in 2017-18).

(c) Other transactions with related parties

(in thousands of dollars)

	2019	2018
Expenses - Other Government departments and agencies	23,546	22,721
Revenues - Other Government departments and agencies	17,659	19,842

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

10. 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)

	Prosecution Services	Compliance and Enforcement	Internal services	2019	2018
Expenses					
Salaries and employee benefits	127,273	2,798	15,270	145,341	134,981
Professional and special services - Counsel fees	41,244	1	4,949	46,194	44,586
Accommodation	12,025	-	1,443	13,468	14,362
Professional and special services - Other	6,718	1,236	806	8,760	9,066
Travel and relocation	6,380	66	765	7,211	7,214
Utilities, materials and supplies	1,448	56	174	1,678	1,821
Communication	1,329	56	159	1,544	1,593
Machinery and equipment	1,309	193	157	1,659	1,077

Amortization of tangible capital assets	1,110	-	133	1,243	4,885
Other	689	3	83	775	214
Rental	643	186	78	907	787
Information	415	8	50	473	613
Allowance for contingent liabilities	250	-	-	250	-
Repairs and maintenance	219	33	26	278	253
Claims and ex-gratia payments	89	-	72	161	49
Bad debts	1	-	-	1	-
Total expenses	201,142	4,636	24,165	229,943	221,501
Revenues					
Prosecution Services	17,466	-	122	17,588	19,476
Proceeds from disposal of assets	-	-	-	-	-
Rent from residential housing provided to employees	506	-	-	506	583
Fines, forfeitures and court costs	71	-	299	370	654
Other	56	-	-	56	25
Revenues earned on behalf of Government	(633)	-	(299)	(932)	(1,262)
Total revenues	17,466	-	122	17,588	19,476
Net cost of operations	183,676	4,636	24,043	212,355	202,025

11. Subsequent event

The Office of the Commissioner of Canada Elections, the independent officer whose duty is to ensure that the Canada Elections Act and the Referendum Act are complied with and enforced, has been transferred back to the Office of Chief Electoral Officer in accordance with a notice given in the Canada Gazette on April 1, 2019, pursuant to section 401 of *An Act to amend the Canada Elections Act and other Acts and to make certain consequential amendments*.

Annex – Assessment of Internal Control over Financial Reporting

1. Introduction

This document is an annex to the *Statement of Management Responsibility Including Internal Control over Financial Reporting* (ICFR) for the Fiscal Year 2018-19 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 Core Responsibilities can be found in the *2018-19 Departmental Results Report* and the *2018-19 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 ODPP has a well-established governance and accountability structure to support the assessment efforts and oversight of its system of internal control, including:

- Organizational accountability structures as they relate to internal control management to support sound financial management, including roles and responsibilities of senior managers for control management in their areas of responsibility;
- Values and ethics;
- Ongoing communication and training on statutory requirements; and policies and procedures for sound financial management and control; and

- Monitoring of, and regular updates to, internal control management, as well as the provision of related assessment results and action plans to the Deputy Head and senior departmental management, 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, which administers the payment of salaries and the procurement of goods and services, and provides accommodation services;
- Treasury Board of Canada Secretariat, which provides information on public service insurance and centrally administers payment of the employer's share of contributions toward statutory employee benefit 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.

Readers of this annex may refer to the annexes of the above-noted departments for a greater understanding of the systems of internal control over financial reporting related to these specific services.

Specific Arrangements

- Justice provides the ODPP with a SAP financial system platform to capture and report all financial transactions as well as a human resources management system, 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 human resources and professional development; financial services; information services; IT management services; corporate services; and iCase (case management, timekeeping and operational reporting application) business support.

Service Arrangements where the ODPP is the specific service provider

- The ODPP is the 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 2018-19

The key findings and significant adjustments required from the current year's assessment activities are summarized in subsection 3.1.

3.1 New or significantly amended key controls

Documentation of a new financial control framework for the Acquisition Card sub process was completed in 2018-19. In addition, a risk assessment was performed related to payroll in order to identify any required modification to the controls given the centralization of pay administration at PSPC.

3.2 Ongoing monitoring program

Business process: This year, the ODPP initiated the ongoing monitoring assessment of the payables process related to interdepartmental settlements by commencing the control testing with reporting of results and action plans continuing into 2019-20.

4. ODPP's action plan for the next year and subsequent fiscal years

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 2019-20, the ODPP will be conducting a review of its payroll and procure, payable and payment sub-processes. Based on this review, ODPP will be updating its risk assessment of business processes and incorporating the results into its ongoing monitoring cycle for subsequent years.

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