Public Services and Procurement Canada | Services publics et Approvisionnement Canada

Canada

CONSOLIDATED DEPARTMENTAL FINANCIAL STATEMENTS

(Unaudited)

For the year ended March 31, 2023

2022-2023

Public Services and Procurement Canada

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements for the year ended March 31, 2023, and all information contained in these financial statements rests with Public Services and Procurement Canada (PSPC) management. These consolidated 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 consolidated financial statements. Some of the information in the consolidated financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of PSPC's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada and included in PSPC's Departmental Results Report, is consistent with these consolidated financial statements.

One of the Government's top priorities remains the health and safety of Canadians as the COVID-19 pandemic evolves. As central purchasing agent, PSPC continued to play a key role in supporting the Government of Canada's response to the COVID-19 pandemic by ensuring sufficient supply of COVID-19 vaccines and therapeutics for Canadians. This procurement was primarily done on behalf of other government departments and the impacts are reflected in their respective financial results.

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 PSPC; 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, 2023 was completed in accordance with the Treasury Board Policy on Financial Management, and the results and action plans are summarized in Annex A.

Public Services and Procurement Canada

Statement of Management Responsibility Including Internal Control over Financial Reporting

As in previous years, we have not identified significant deficiencies in the operation of the internal controls of sub-processes related to the COVID-19 pandemic, which could have a material impact on PSPC’s consolidated departmental financial statements.

The annex also provides information on the status of the risk-based assessment of the controls over common services provided by the Department that have a bearing on a recipient’s departmental financial statements.

The effectiveness and adequacy of PSPC's system of internal control is reviewed by internal audit staff, who conduct periodic audits of different areas of PSPC's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The consolidated financial statements of PSPC have not been audited.

The original version was signed by	The original version was signed by
Arianne Reza	Wojo Zielonka, CPA
Acting Deputy Minister	Assistant Deputy Minister and Chief Financial Officer

Gatineau, Canada
September 17, 2023

Public Services and Procurement Canada

Consolidated Statement of Financial Position (*Unaudited*)

As at March 31

(in thousands of dollars)	2023	2022 Restated (Note 2Q)
Liabilities		
Accounts payable and accrued liabilities *(note 4)*	**1,271,157**	1,404,863
Environmental liabilities *(note 5a)*	**193,150**	203,679
Asset retirement obligations *(note 5b)*	**395,520**	429,696
Vacation pay and compensatory leave	**99,815**	109,166
Other liabilities *(note 6)*	**48,289**	44,670
Seized Property Working Capital Account	**15,241**	19,759
Lease obligations for tangible capital assets *(note 7)*	**1,791,312**	1,881,743
Obligation under Public Private Partnership *(note 8)*	**119,896**	123,290
Lease inducements	**95,972**	86,403
Employee future benefits *(note 9)*	**38,573**	43,688
Total net liabilities	**4,068,925**	**4,346,957**
Financial assets		
Due from Consolidated Revenue Fund	**579,026**	447,889
Accounts receivable and advances *(note 11)*	**447,078**	804,264
	1,026,104	**1,252,153**
Financial assets held on behalf of Government		
Accounts receivable *(note 11)*	**(16,942)**	(23,448)
	(16,942)	**(23,448)**
Total net financial assets	**1,009,162**	**1,228,705**
Departmental net debt	**3,059,763**	**3,118,252**
Non-financial assets		
Prepaid expenses	**3,381**	3,164
Tangible capital assets *(note 13)*	**10,755,074**	9,937,709
Total non-financial assets	**10,758,455**	**9,940,873**
Departmental net financial position *(note 14)*	**7,698,692**	**6,822,621**

Contingent liabilities *(note 10)*

Contractual obligations and contractual rights *(note 15)*

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

The original version was signed by
Arianne Reza
Acting Deputy Minister

The original version was signed by
Wojo Zielonka, CPA
Assistant Deputy Minister and
Chief Financial Officer

Gatineau, Canada
September 17, 2023

Public Services and Procurement Canada

Consolidated Statement of Operations and Departmental Net Financial Position (*Unaudited*)

For the year ended March 31

(in thousands of dollars)	2023 *Planned results*	2023 *Actual*	2022 *Actual* Restated (Note 2Q)
EXPENSES			
Property and Infrastructure	4,991,799	**4,732,943**	4,503,467
Payments and Accounting	770,497	**791,333**	795,986
Purchase of Goods and Services	570,660	**585,911**	999,454
Government-Wide Support	429,511	**465,290**	458,066
Internal Services	324,611	**363,755**	382,132
Procurement Ombudsman	4,429	**4,893**	4,325
Total expenses	7,091,507	**6,944,125**	**7,143,430**
REVENUES			
Sales of goods and information products	1,871,572	**1,614,656**	1,446,758
Rentals	745,695	**851,450**	831,668
Services of a non-regulatory nature	620,508	**656,503**	1,048,670
Services of a regulatory nature	171,358	**183,361**	170,461
Other revenues	136,390	**164,359**	107,044
Revenues from Seized Property Proceeds Account *(note 14)*	19,169	**26,393**	24,007
Revenues earned on behalf of Government	(96,421)	**(173,989)**	(119,240)
Total revenues	3,468,271	**3,322,733**	**3,509,368**
Net cost of operations before government funding and transfers	**3,623,236**	**3,621,392**	**3,634,062**
GOVERNMENT FUNDING AND TRANSFERS			
Net cash provided by Government of Canada		**4,305,782**	4,281,552
Change in due from Consolidated Revenue Fund		**131,137**	(146,453)
Services provided without charge by other government departments *(note 16)*		**105,540**	106,859
Transfer of tangible capital assets to other government departments, agencies and Crown corporations *(note 16)*		**(44,660)**	(29,256)
Transfer of salary overpayments to other government departments		**(336)**	(257)
Net cost of operations after government funding and transfers		**(876,071)**	**(578,383)**
Departmental net financial position - Beginning of year		**6,822,621**	**6,244,238**
Departmental net financial position - End of year *(note 14)*		**7,698,692**	**6,822,621**

Segmented information *(note 17)*

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

Public Services and Procurement Canada

Consolidated Statement of Change in Departmental Net Debt (*Unaudited*)

For the year ended March 31

(in thousands of dollars)	2023	2022 Restated (Note 2Q)
Net cost of operations after government funding and transfers	(876,071)	(578,383)
Change due to tangible capital assets		
Acquisitions of tangible capital assets *(note 13)*	**1,390,153**	1,063,948
Acquisitions of leased tangible capital assets *(note 13)*	**43,619**	143,766
Amortization of tangible capital assets *(note 13)*	**(543,751)**	(550,815)
Proceeds from disposal of tangible capital assets	**(36,463)**	(2,816)
Net gain (loss) on disposals of tangible capital assets including adjustments	**6,337**	(11,129)
Accounts payable for work in progress to be paid at a future date	**32,211**	209,725
Reclassification of assets under construction including capitalization of previous years	**(5,020)**	(28,706)
Variation in tangible capital assets due to asset retirement obligations	**(25,061)**	131
Transfer of tangible capital assets to other government departments, agencies and Crown corporations *(note 16)*	**(44,660)**	(29,256)
Change due to tangible capital assets	817,365	794,848
Change due to non-capital assets		
Change due to prepaid expenses	**217**	(423)
Change due to non-capital assets	217	(423)
(Decrease) increase in departmental net debt	(58,489)	216,042
Departmental net debt - Beginning of year	3,118,252	2,902,210
Departmental net debt - End of year	3,059,763	3,118,252

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

Public Services and Procurement Canada

Consolidated Statement of Cash Flows (*Unaudited*)

For the year ended March 31

(in thousands of dollars)	2023	2022 Restated (Note 2Q)
Operating activities		
Net cost of operations before government funding and transfers	3,621,392	3,634,062
Non-cash items:		
Amortization of tangible capital assets *(note 13)*	(543,751)	(550,815)
Net gain (loss) on disposals of tangible capital assets including adjustments	6,337	(11,129)
Accounts payable for work in progress to be paid at a future date	32,211	209,725
Reclassification of assets under construction including capitalization of previous years	(5,020)	(28,706)
Variation in tangible capital assets due to asset retirement obligations	(25,061)	131
Services provided without charge by other government departments *(note 16)*	(105,540)	(106,859)
Variations in Consolidated Statement of Financial Position:		
Decrease (increase) in accounts payable and accrued liabilities	133,706	(293,741)
Decrease in environmental liabilities	10,529	30,512
Decrease in asset retirement obligations	34,176	6,943
Decrease (increase) in vacation pay and compensatory leave	9,351	(17,589)
(Increase) decrease in other liabilities	(3,619)	6,537
Decrease (increase) in Seized Property Working Capital Account	4,518	(7,862)
(Increase) in lease inducements	(9,569)	(7,950)
Decrease in employee future benefits	5,115	6,217
(Decrease) increase in accounts receivable and advances	(350,680)	215,051
Increase (decrease) in prepaid expenses	217	(423)
Transfer of salary overpayments to other government departments	336	257
Cash used in operating activities	2,814,648	3,084,361
Capital investing activities		
Acquisitions of tangible capital assets *(note 13)*	1,390,153	1,063,948
Acquisitions of assets under construction on leased tangible capital assets *(note 13)*	1,685	8,447
Proceeds from disposal of tangible capital assets	(36,463)	(2,816)
Gain on variation of lease obligations for tangible capital assets	108	-
Cash used in capital investing activities	1,355,483	1,069,579
Financing activities		
Payments on lease obligations for tangible capital assets	132,257	124,540
Payments on obligation under Public Private Partnership	3,394	3,072
Cash used in financing activities	135,651	127,612
Net cash provided by Government of Canada	4,305,782	4,281,552

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

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

1. AUTHORITIES AND OBJECTIVES

The Department of Public Works and Government Services Canada (PWGSC) was established effective June 20, 1996, under the *Department of Public Works and Government Services Act*. This legislation specifies that PWGSC shall provide common, central and shared services to other government departments and agencies, thereby enabling them to provide programs and services to Canadians. Since November 2015, PWGSC has been operating as Public Services and Procurement Canada (PSPC). PSPC's services are delivered through the following core responsibilities:

- Purchase of Goods and Services: PSPC purchases goods and services on behalf of the Government of Canada;
- Payments and Accounting: PSPC collects revenues and issues payments, maintains the financial accounts of Canada, issues financial reports, and administers payroll and pension services for the Government of Canada;
- Property and Infrastructure: PSPC provides federal employees and Parliamentarians with work space; builds, maintains and manages federal properties and other public works such as bridges and dams; and provides associated services to federal organizations;
- Government-Wide Support: PSPC provides administrative services and tools to federal organizations that help them deliver programs and services to Canadians;
- Procurement Ombudsman: The Office of the Procurement Ombudsman operates at arm's-length from federal organizations. It is legislated to review the procurement practices of federal organizations, review complaints from Canadian suppliers, and provide dispute resolution services; and
- 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.

For additional context, including details on PSPC’s role in supporting the Government of Canada’s response to the COVID-19 pandemic, these consolidated financial statements should be read in conjunction with PSPC’s 2022-2023 Departmental Results Report (DRR), which highlights the department’s achievements in delivering on its diverse mandate and serves as the annual report to Parliamentarians and Canadians. This report is available as part of the Department's published reports.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared using the PSPC 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

PSPC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to PSPC does not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Consolidated Statement of Operations and Departmental Net Financial Position and in the Consolidated Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the two bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Consolidated Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-Oriented Statement of Operations included in the 2022-23 Departmental Plan. Planned results are not presented in the "Government funding and transfers" section of the Consolidated Statement of Operations and Departmental Net Financial Position and in the Consolidated Statement of Change in Departmental Net Debt because these amounts were not included in the 2022-23 Departmental Plan.

B. CONSOLIDATION

These consolidated financial statements include the accounts of four revolving funds as listed below, one of them being inactive. The three active revolving funds prepare a complete set of financial statements annually that are audited and published in the Public Accounts of Canada. The accounts of these revolving funds have been consolidated with those of PSPC and intradepartmental balances and transactions have been eliminated.

The PSPC revolving funds are as follows:

- Real Property Services Revolving Fund
- Translation Bureau Revolving Fund
- Optional Services Revolving Fund
- Defence Production Revolving Fund (inactive)

C. NET CASH PROVIDED BY GOVERNMENT OF CANADA

PSPC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by PSPC is deposited to the CRF and all cash disbursements made by PSPC are paid from the CRF. The net cash provided by the Government, with the exception of amounts held on behalf of government, is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

D. AMOUNTS DUE FROM THE CONSOLIDATED REVENUE FUND

These 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 PSPC is entitled to draw from the CRF, without further authorities, in order to discharge its liabilities.

E. REVENUES

Revenues are recorded on an accrual basis of accounting:

- Services of a regulatory nature are mainly comprised of cost recovery for services provided to administer the *Public Service Superannuation Act* (PSSA) and for payment services provided by the Receiver General to other government departments. Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- Services of a non-regulatory nature are mainly comprised of special accommodation and real property services, real property project management services, translation services, as well as freight services, material transportation and travel procurement. They are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
- All other revenue types are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
- Revenues earned on behalf of government are non-respendable and are not available to discharge PSPC's liabilities. While the Deputy Minister of PSPC is expected to maintain accounting control, the Deputy Minister has no authority regarding the disposition of non-respendable revenues. Therefore, those revenues are presented as a reduction of PSPC's gross revenues.

F. EXPENSES

Expenses are recorded on an accrual basis of accounting:

- Expenses for PSPC's operations are recorded when goods are received or services are rendered. This includes services provided without charge for employee contributions to health and dental insurance plans, legal services and workers' compensation, which are recorded as expenses at their estimated cost. Vacation pay and compensatory leave as well as severance benefits are accrued and expenses are recorded as the benefits are earned by employees under their respective terms of employment.
- PSPC administers the Payments in Lieu of Taxes (PILT) Program on behalf of all federal departments under the statutory authority of the *Payments in Lieu of Taxes Act*, which is disclosed under grants in the Main Estimates. The Government of Canada voluntarily pays its fair share of the costs of local government, from which it is exempt, to municipalities and other taxation authorities having jurisdiction to levy and collect real property taxes in locations where federal lands and buildings are situated. The PILT issued by PSPC on behalf of other participating federal departments are recovered from them and are recorded as transfer payments in the Public Accounts of Canada.
- Expenses also include provisions to reflect changes in the value of assets, including provisions for bad debts on accounts receivable, advances and liabilities, including contingent liabilities, environmental liabilities and asset retirement obligations to the extent the future event is likely to occur and a reasonable estimate can be made.

G. EMPLOYEE FUTURE BENEFITS

i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government of Canada. PSPC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. PSPC'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.

ii) Severance benefits: The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

H. FINANCIAL INSTRUMENTS

A contract establishing a financial instrument creates, at its inception, rights and obligations to receive or deliver economic benefits. The financial assets and financial liabilities portray these rights and obligations in the financial statements. PSPC recognizes a financial instrument when it becomes a party to a financial instrument contract.

PSPC's Financial instruments consist of accounts receivable, accounts payable and accrued liabilities, and the obligation under Public Private Partnership. PSPC does not engage in speculative transactions or use derivative financial instruments.

All financial assets and liabilities are recorded at cost or amortized cost.

For financial instruments measured at amortized cost, the effective interest method is used to determine interest revenue or expense.

Accounts receivable and advances are stated at the lower of cost and net recoverable value; a valuation allowance is recorded for receivables where recovery is considered uncertain.

I. LEASE INDUCEMENTS

Lease inducements represent incentives received by PSPC to enter into a lease. Lease inducements include incentives such as: free rent, cash received to be applied to rent, lump sum cash, leasehold improvements and moving costs paid by the lessor. Lease inducements are accounted for as follows:

- Rent-free periods or periods of significantly reduced rent are allocated over the term of the lease on a straight-line basis;
- Cash payments from the lessor to the lessee are accounted by the lessee, as reductions in rental expense over the term of the lease;
- Leasehold improvements are amortized over the remaining life of the lease or the useful life of the improvement, whichever is shorter.

J. CONTINGENT LIABILITIES

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

K. 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 consolidated financial statements.

L. ENVIRONMENTAL LIABILITIES AND ASSET RETIREMENT OBLIGATIONS

An environmental liability for the remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the Government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects management's best estimate of the amount required to remediate the sites to the current minimum environmental standard for its use prior to contamination.

An asset retirement obligation is recognized when all of the following criteria are satisfied: there is a legal obligation to incur retirement costs in relation to a tangible capital asset, the past event or transaction giving rise to the retirement liability has occurred, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The costs to retire an asset are normally capitalized and amortized over the asset's estimated remaining useful life. An asset retirement obligation may arise in connection with a tangible capital asset that is not recognized or no longer in productive use. In this case, the asset retirement cost would be expensed. The measurement of the liability is management's best estimate of the amount required to retire a tangible capital asset.

When the future cash flows required to settle or otherwise extinguish a liability are estimable, predictable, and expected to occur over extended future periods, a present value technique is used. The discount rate used reflects the Government's cost of borrowing, associated with the estimated number of years to complete remediation of contaminated sites or to settle the asset retirement obligations.

The recorded liabilities are adjusted each year, as required, for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred.

M. TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at their acquisition cost according to the following capitalization threshold:

- Betterments and leasehold improvements carried out on buildings and on works and infrastructure, having an initial cost of $25,000 or more;
- All other tangible capital assets having an initial cost of $10,000 or more;
- Asset pooled items are tangible capital assets that have a lower value, per unit, than the capitalization threshold, but are typically purchased or held in large quantities so as to represent significant expenditures overall. These assets are grouped in a given asset class or pool in order to be capitalized as one asset.

Effective April 1, 2018, significant parts of a Crown-owned building are accounted for as separate items (components) with each component having its own useful life. All other asset types remain on the whole asset approach.

Tangible capital assets do not include works of art or other unrecognized assets to which no acquisition cost is attributable and where no reasonable estimate of the future benefits associated with such property can be made. These items consist primarily of paintings, sculptures, drawings, prints, photographs, monuments, and other non-operational heritage assets such as artifacts found on the Parliament Hill grounds.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of each asset, as described in the table below. Amortization is recognized at the component level for Crown-owned buildings; the amortization periods noted below incorporate those applicable to components, if any, contained within the overall asset.

Asset class	Amortization Period
Buildings	10 to 125 years *
Works and infrastructure	10 to 80 years
Machinery and equipment	3 to 30 years
Informatics hardware and software	2 to 10 years
Vehicles	2 to 35 years
Leasehold improvements	Lesser of the remaining term of the lease or the useful life of the improvement
Leased tangible capital assets	In accordance with asset class if ownership is likely to transfer to PSPC; otherwise, over the lease term

* Heritage buildings have a maximum amortization period of 125 years.

Assets under construction are recorded in the applicable capital asset class in the year that they become ready for use and are not amortized until they become ready for use.

N. SEIZED PROPERTY WORKING CAPITAL ACCOUNT

The Seized Property Working Capital Account was established pursuant to section 12 of the *Seized Property Management Act*. Expenses incurred, and advances made, to maintain and manage any seized or restrained property and other properties subject to a management order or forfeited to His Majesty, are charged to this account. The Seized Property Working Capital Account is credited when expenses and advances to third parties are repaid or recovered and when revenues from these properties or proceeds from their disposal are received and credited with seized cash upon forfeiture.

The total amount authorized to be outstanding at any time is $50 million.

Any shortfall between the proceeds from the disposition of any property forfeited to His Majesty and the amounts that were charged to this account and that are still outstanding, is charged to a Seized Property Proceeds Account and credited to the Seized Property Working Capital Account.

O. MEASUREMENT UNCERTAINTY

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses reported in the consolidated 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 the allowance for doubtful accounts, contingent liabilities, environmental liabilities and asset retirement obligations, accounts receivable held on behalf of Government, the liability for vacation pay and compensatory leave, the liability for employee future benefits and the useful life of tangible capital assets.

Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the consolidated financial statements in the year they become known.

Environmental liabilities and asset retirement obligations are subject to measurement uncertainty as discussed in Note 5 due to the evolving technologies used in the estimation of the costs for remediation of contaminated sites or for the retirement of tangible capital assets, the use of discounted present value of future estimated costs, inflation, interest rates and the fact that not all contaminated sites have had a complete assessment of the extent and nature of remediation or asset retirement costs. Changes to underlying assumptions, the timing of the expenditures, the technology employed, or the revisions to environmental standards or changes in regulatory requirements could result in significant changes to the environmental liabilities and asset retirement obligations recorded.

P. RELATED PARTY TRANSACTIONS

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis, and are measured at the carrying amount, except for the following:

i) Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.

ii) Certain services received on a without charge basis are recorded for consolidated departmental financial statement purposes at the carrying amount.

Q. ADOPTION OF NEW PUBLIC SECTOR ACCOUNTING STANDARDS

a) Section PS 3280 – Asset Retirement Obligations

Effective April 1, 2022, PSPC adopted the new Public Sector Accounting Standard PS 3280 *Asset Retirement Obligations*. This standard requires public sector entities to recognize legally obligated costs associated with the retirement of tangible capital assets on acquisition, construction or development and expense those costs systematically over the life of the asset.

PSPC applied the modified retrospective transitional approach. On initial application of the standard, PSPC recognized:

(a) a liability for any existing asset retirement obligations, adjusted for accumulated accretion to that date;
(b) an asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets;
(c) accumulated amortization on that capitalized cost; and
(d) an adjustment to the opening balance of the accumulated surplus / deficit (Departmental net financial position).

These amounts were measured using information, assumptions and discount rates that are current at the beginning of the fiscal year. The amount recognized as an asset as a result of the adoption of this standard, is measured as of the date the asset retirement obligation was incurred. Accumulated accretion and amortization are measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect to the date as of which this standard is first applied.

A reconciliation of the restatement for the significant consolidated financial statement line items follows:

Q. ADOPTION OF NEW PUBLIC SECTOR ACCOUNTING STANDARDS *(continued)*

(in thousands of dollars)	2022 As previously reported	Effect of change in accounting policy	2022 As restated
Consolidated Statement of Financial Position			
Asset retirement obligations *(note 5b)*	-	429,696	**429,696**
Total net liabilities	3,917,261	429,696	**4,346,957**
Departmental net debt	2,688,556	429,696	**3,118,252**
Tangible capital assets *(note 13)*	9,870,206	67,503	**9,937,709**
Total non-financial assets	9,873,370	67,503	**9,940,873**
Departmental net financial position *(note 14)*	7,184,814	(362,193)	**6,822,621**
Consolidated Statement of Operations and Departmental Net Financial Position			
Expenses - Property and Infrastructure	4,487,133	16,334	**4,503,467**
Total expenses	7,127,096	16,334	**7,143,430**
Net cost of operations before government funding and transfers	3,617,728	16,334	**3,634,062**
Net cash provided by Government of Canada	4,264,224	17,328	**4,281,552**
Net cost of operations after government funding and transfers	(577,389)	(994)	**(578,383)**
Departmental net financial position - Beginning of year	6,607,425	(363,187)	**6,244,238**
Departmental net financial position - end of year *(note 14)*	7,184,814	(362,193)	**6,822,621**
Consolidated Statement of Change in Departmental Net Debt			
Net cost of operations after government funding and transfers	(577,389)	(994)	**(578,383)**
Amortization of tangible capital assets *(note 13)*	(544,735)	(6,080)	**(550,815)**
Variation in tangible capital assets due to asset retirement obligations	-	131	**131**
Change due to tangible capital assets	800,797	(5,949)	**794,848**
(Decrease) increase in departmental net debt	222,985	(6,943)	**216,042**
Departmental net debt - Beginning of year	2,465,571	436,639	**2,902,210**
Departmental net debt - End of year	2,688,556	429,696	**3,118,252**
Consolidated Statement of Cash Flows			
Net cost of operations before government funding and transfers	3,617,728	16,334	**3,634,062**
Amortization of tangible capital assets *(note 13)*	(544,735)	(6,080)	**(550,815)**
Variation in tangible capital assets due to asset retirement obligations	-	131	**131**
Decrease in asset retirement obligations	-	6,943	**6,943**
Cash used in operating activities	3,067,033	17,328	**3,084,361**
Net cash provided by Government of Canada	4,264,224	17,328	**4,281,552**

b) Section PS 3450 – Financial Instruments

Effective April 1, 2022, PSPC adopted the new Public Sector Accounting Standard PS 3450 *Financial Instruments*. This section establishes standards for the recognition, measurement, presentation and disclosure of all types of financial instruments. The standard requires the categorization and measurement of financial instruments based either on fair value (derivatives and certain equity instruments) or cost/amortized cost (financial assets and liabilities). The standard also emphasizes a significant increase in quantitative and qualitative disclosures, including information on exposure to credit, liquidity, and market risks as well as the processes for managing them. Note 12 provides information on risk management.

The adoption of PS 3450 does not have a material impact on PSPC's consolidated financial statements.

R. FUTURE CHANGES TO ACCOUNTING STANDARDS

The Public Sector Accounting Board (PSAB) issued new accounting standards, coming into effect on April 1, 2023, that will or may have a material effect on PSPC's financial reporting results in future years.

Section PS 3160 – Public Private Partnerships

This section establishes standards for the recognition, measurement, presentation and disclosure of infrastructure procured through public private partnership arrangements. Typically, the private sector is engaged to design, build, acquire or better new/existing infrastructure; finance the infrastructure for at least a portion of the time in use; and maintain and/or operate the infrastructure. PSPC is currently analyzing the impact of this standard on the accounting of its current public private partnership agreement (RCMP E division building) and other agreements. Based on the assessment of the work completed to date, the adoption of PS 3160 is not expected to have a material impact on PSPC's consolidated financial statements.

Section PS 3400 – Revenue

This section establishes standards for the recognition, measurement, presentation and disclosure of revenues, including the requirement to differentiate between revenue arising from transactions that include performance obligations to provide specific goods or services and transactions without performance obligations. In addition, the Department needs to evaluate the characteristics of transactions to determine if it is acting as a principal or an agent. When acting as a principal, revenue is recognized on a gross basis and, when acting as an agent, revenue is recognized on a net basis. PSPC is currently analyzing the impact of this standard on its consolidated financial statements. Based on the assessment of the work completed to date, the adoption of PS 3400 is expected to have a minor impact on revenues since PSPC is acting as an agent in some circumstances.

Accounting Guideline PSG-8 – Purchased intangibles

This new guideline explains the scope of intangibles allowed to be recognized in financial statements. Purchased intangibles are identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Based on the assessment of the work completed to date, the guideline is not expected to have a material impact on PSPC's consolidated financial statements.

3. PARLIAMENTARY AUTHORITIES

PSPC receives part of its funding through annual parliamentary authorities. Items recognized in the Consolidated Statement of Operations and Departmental Net Financial Position and the Consolidated Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, PSPC 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)	2023	2022 Restated (Note 2Q)
Net cost of operations before government funding and transfers	**3,621,392**	3,634,062
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets *(note 13)*	**(543,751)**	(550,815)
Net gain (loss) on disposals of tangible capital assets including adjustments	**6,337**	(11,129)
Gain on variation of lease obligations for tangible capital assets	**108**	-
Reclassification of assets under construction including capitalization of previous years	**(5,020)**	(28,706)
Services provided without charge by other government departments *(note 16)*	**(105,540)**	(106,859)
Refunds of previous years and program expenditures	**18,787**	33,674
Adjustments of previous years accounts payable	**18,150**	16,112
Asset retirement obligations not affecting authorities	**6,892**	(10,254)
Timing differences between revenues earned and collected	**(21,359)**	(5,419)
Net (expense) revenue from Seized Property Proceeds Account *(note 14)*	**(7,822)**	1,709
Decrease (increase) in vacation pay and compensatory leave	**9,351**	(17,589)
Decrease in employee future benefits not affecting authorities	**5,092**	6,116
Decrease in environmental liabilities	**10,529**	30,512
(Increase) in accrued liabilities not affecting authorities	**(3,276)**	(15,880)
Timing differences between payments in lieu of taxes and recoveries	**(50,929)**	(1,567)
Bad debt expense	**1,463**	6,347
Revenues earned on behalf of Government not affecting authorities	**(35,493)**	(2,732)
Other	**929**	(1,046)
Total items affecting net cost of operations but not affecting authorities	**(695,552)**	(657,526)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets *(note 13)*	**1,390,153**	1,063,948
Acquisitions of assets under construction as leased tangible capital assets *(note 13)*	**1,685**	8,447
Payments of lease obligations for tangible capital assets	**132,257**	124,540
Payments of obligation under Public Private Partnership	**3,394**	3,072
Net cash variation of prepaid expenses and advances	**16**	(605)
Variation of lease inducements	**(7,784)**	(7,984)
Accounts receivable related to salary overpayments	**4,230**	4,398
Total items not affecting net cost of operations but affecting authorities	**1,523,951**	1,195,816
Current year budgetary authorities used	**4,449,791**	4,172,352

3. PARLIAMENTARY AUTHORITIES *(continued)*

B. AUTHORITIES PROVIDED AND USED

(in thousands of dollars)	2023	2022
Vote 1 - Operating expenditures	**3,149,380**	3,575,473
Vote 5 - Capital expenditures	**1,610,417**	1,633,060
Statutory items:		
Revolving Funds	**397,361**	383,791
Other	**111,351**	159,985
Authorities provided	**5,268,509**	5,752,309
Less:		
Authorities available for future years	**(436,993)**	(397,656)
Lapsed authorities	**(381,725)**	(1,182,301)
Current year budgetary authorities used	**4,449,791**	4,172,352
Seized Property Management Act	**4,518**	(7,861)
Imprest Funds	**(237)**	1,684
Current year non-budgetary authorities used	**4,281**	(6,177)

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

(in thousands of dollars)	2023	2022
Accounts payable - External parties	**336,335**	477,572
Accounts payable - Other government departments and agencies	**67,264**	85,232
Total accounts payable	**403,599**	562,804
Accrued liabilities	**663,900**	661,239
Accrued salaries and wages	**105,791**	90,397
Contractors' holdbacks	**97,867**	90,423
Total accounts payable and accrued liabilities	**1,271,157**	1,404,863

5. ENVIRONMENTAL LIABILITIES AND ASSET RETIREMENT OBLIGATIONS

A. REMEDIATION OF CONTAMINATED SITES

The Government's "Federal Approach to Contaminated Sites" sets out a framework for management of contaminated sites using a risk-based approach. Under this approach the Government has inventoried the contaminated sites identified on federal lands, allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aids in identification of the high risk sites in order to allocate limited resources to those sites which pose the highest risk to human health and the environment.

The Department has identified 200 sites (197 sites in 2022) where contamination may exist and assessment, remediation and monitoring may be required. Of these, PSPC has assessed 71 sites (70 sites in 2022) where action is required and for which a gross liability of $172,664 thousand ($175,786 thousand in 2022) has been recorded. This liability estimate has been determined based on site assessments performed by environmental experts.

In addition, a statistical model based upon a projection of the number of sites that will proceed to remediation and upon which current and historical costs are applied is used to estimate the liability for a group of unassessed sites. As a result, there are 62 unassessed sites (71 sites in 2022) where a liability estimate of $20,486 thousand ($27,893 thousand in 2022) has been recorded using this model.

These two estimates combined, totaling $193,150 thousand ($203,679 thousand in 2022), represent management's best estimate of the costs required to remediate sites to the current minimum standard for its use prior to contamination, based on information available at the financial statement date.

For the remaining 67 sites (56 sites in 2022), no liability for remediation has been recognized. Some of these sites are at various stages of testing and evaluation and if remediation is required, liabilities will be reported as soon as a reasonable estimate can be determined.

For other sites, PSPC does not expect to give up any future economic benefits (there is likely no significant environmental impact or human health threats). These sites will be re-examined and if it is determined that future economic benefits will be given up a liability for remediation will be recognized.

The following table presents the total estimated amounts of these liabilities by nature and source and the total undiscounted future expenditures as at March 31, 2023 and March 31, 2022. Undiscounted expenditures only reflect the liabilities of the sites assessed by PSPC and do not include the liabilities estimated by the statistical model. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using an expected Consumer Price Index (CPI) rate of 2.0% (2.0% in 2022). Inflation is included in the undiscounted amount.

The Government of Canada's cost of borrowing by reference to the actual zero-coupon yield curve for Government of Canada bonds has been used to discount the estimated future expenditures. The March 2023 rates range from 4.50% for a 1 year term to 3.01% for a 30 year or greater term.

Also, during the year, 14 sites (0 sites in 2022) were closed as they were either remediated or assessed to confirm that they no longer meet all the criteria required to record a liability for contaminated sites.

PSPC's ongoing efforts to assess contaminated sites, asset retirement obligations and unexploded explosive ordnance (UXO) affected sites may result in additional environmental liabilities and asset retirement obligations.

5. ENVIRONMENTAL LIABILITIES AND ASSET RETIREMENT OBLIGATIONS *(continued)*

Nature and Source of Liability								
(in thousands of dollars)	2023				2022			
Nature and Source	Total Number of Sites	Number of Sites with a Liability	Discounted Estimated Liability	Estimated Total Undiscounted Expenditures	Total Number of Sites	Number of Sites with a Liability	Discounted Estimated Liability	Estimated Total Undiscounted Expenditures
Former Mineral Exploration Sites[(a)]	27	24	76,859	133,619	27	24	88,308	137,938
Military and Former Military Sites[(b)]	7	7	581	644	10	10	954	1,026
Fuel Related Practices[(c)]	18	2	11,888	13,422	18	2	10,806	11,495
Landfill/Waste Sites[(d)]	6	6	15,529	19,637	6	6	13,497	16,552
Engineered Asset/Air and Land Transportation[(e)]	112	82	72,732	58,946	110	84	73,778	48,280
Marine Facilities/Aquatic Sites[(f)]	2	-	-	-	2	-	-	-
Parks and Protected Areas[(g)]	1	1	78	81	1	1	79	81
Office/Commercial/Industrial Operations[(h)]	24	9	3,532	3,337	19	13	3,981	3,459
Other[(i)]	3	2	11,951	12,662	4	1	12,276	12,995
Total	**200**	**133**	**193,150**	**242,348**	**197**	**141**	**203,679**	**231,826**

(a) Contamination associated with former mine activities, e.g., heavy metals, petroleum hydrocarbons, etc. Sites often have multiple sources of contamination.

(b) Contamination associated with the operations of military and former military sites where activities such as fuel handling and storage activities, waste sites, metals/PCB-based paint used on buildings resulted in former or accidental contamination, e.g., petroleum hydrocarbons, PCBs, heavy metals. Sites often have multiple sources of contamination.

(c) Contamination primarily associated with fuel storage and handling, e.g. accidental spills related to fuel storage tanks or former fuel handling practices, e.g., petroleum hydrocarbons, polycyclic aromatic hydrocarbons and BTEX (benzene, toluene, ethylbenzene, and xylenes).

(d) Contamination associated with former landfill/waste sites or leaching from materials deposited in the landfill/waste site, e.g., metals, petroleum hydrocarbons, BTEX, other organic contaminants, etc.

(e) Contamination associated with the operations of engineered assets such as airports, railways, and roads where activities such as fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g., metals, petroleum hydrocarbons, polycyclic aromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.

(f) Contamination associated with the operations of marine assets, e.g., port facilities, harbors, navigation systems, light stations, hydrometric stations, where activities such as fuel storage/handling, use of metal based paint (e.g. on light stations) resulted in former or accidental contamination, e.g., metals, petroleum hydrocarbons, polycyclic aromatic hydrocarbons and other organic contaminants. Sites often have multiple sources of contamination.

(g) Contamination associated with the operations and maintenance of parks and protected areas where activities such as fuel storage/handling, waste sites and use of metal-based paint resulted in former or accidental contamination, e.g., metals, petroleum hydrocarbons, polycyclic aromatic hydrocarbons, PCBs, and other organic contaminants. Sites often have multiple sources of contamination.

(h) Contamination associated with the operations of office/commercial/industrial facilities where activities such as fuel storage/handling, waste sites and use of metal-based paint resulted in former or accidental contamination, e.g., metals, petroleum hydrocarbons, polycyclic aromatic hydrocarbons, BTEX, etc. Sites often have multiple sources of contamination.

(i) Contamination from other sources, e.g., use of pesticides, herbicides, fertilizers at agricultural sites; use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

5. ENVIRONMENTAL LIABILITIES AND ASSET RETIREMENT OBLIGATIONS *(continued)*

B. ASSET RETIREMENT OBLIGATIONS

PSPC has recorded asset retirement obligations for the removal of asbestos and other hazardous materials in buildings, closure and post-closure obligations associated with other works and infrastructure, and removal of leasehold improvements.

The changes in asset retirement obligations during the year are as follows:

	2023				2022
(in thousands of dollars)	Asbestos and other hazardous material in buildings	Closure and post-closure obligations - other works and infrastructure	Removal of leasehold improvements	**Total**	**Total** Restated (note 2Q)
Opening balance	416,981	7,531	5,184	**429,696**	436,639
New liabilities incurred	81	-	654	**735**	131
Liabilities settled	(19,254)	-	-	**(19,254)**	(17,328)
Revisions in estimates	(25,259)	(341)	(292)	**(25,892)**	-
Accretion expense[1]	9,917	176	142	**10,235**	10,254
Closing balance	**382,466**	**7,366**	**5,688**	**395,520**	**429,696**

[1] Accretion expense is the increase in the carrying amount of an asset retirement obligation due to the passage of time.

The undiscounted future expenditures, adjusted for inflation, for the planned projects comprising the liability are $580,847 thousand ($584,168 thousand as at March 31, 2022).

Key assumptions used in determining the provision are as follows:

	2023	**2022**
Discount rate	4.50 – 3.01%	1.88 – 2.35%
Discount period and timing of settlement	1 to 36 years	1 to 37 years
Long-term rate of inflation	2.00%	2.00%

6. OTHER LIABILITIES

SEIZED PROPERTY – CASH

This account was established pursuant to the *Seized Property Management Act*, to record seized cash. These funds will be deposited in the Consolidated Revenue Fund and credited to the account until returned to the owner or forfeited.

DEPOSITS

This account was established to record transactions associated with deposits on disposals and rent security deposits for PSPC.

CONTRACTORS' SECURITY DEPOSITS – CASH

This account was established to record contractors' security deposits that are required for the satisfactory performance of work in accordance with the *Government Contracts Regulations*.

THE WORKPLACE NETWORK

This account was established pursuant to section 21(1) of the *Financial Administration Act*, to record funds received for specific purposes from the participating members countries of The Workplace Network (TWN) and to record the costs associated with hosting TWN's annual conference on the management of public real estate portfolios and workplaces. Once the duration of the mandate is completed, all remaining funds are to be transferred to the next presiding country.

The following table presents details of other liabilities:

(in thousands of dollars)	April 1, 2022	Receipts and credits	Payments and charges	March 31, 2023
Seized property - Cash	35,411	25,754	(22,495)	**38,670**
Deposits	6,420	24,214	(23,159)	**7,475**
Contractors' security deposits - Cash	2,838	550	(1,245)	**2,143**
The Workplace Network	1	-	-	**1**
Total	44,670	50,518	(46,899)	**48,289**

7. LEASE OBLIGATIONS FOR TANGIBLE CAPITAL ASSETS

PSPC has entered into capital lease agreements for tangible capital assets with a cost of $2,198,753 thousand and accumulated amortization of $965,493 thousand as at March 31, 2023 ($2,212,013 thousand and $933,282 thousand respectively as at March 31, 2022). The obligations related for the upcoming years include the following:

(in thousands of dollars)	Total future minimum lease payments	Imputed interest (weighted average rate 5.3%; 5.4% in 2022)	2023	2022
Buildings	2,449,714	658,402	**1,791,312**	1,881,743
Total	2,449,714	658,402	**1,791,312**	1,881,743

The following table presents the future minimum capital lease payments:

(in thousands of dollars)	2024	2025	2026	2027	2028	2029 and subsequent	Total
Buildings	233,578	228,651	225,579	211,932	207,324	1,342,650	2,449,714
Total	233,578	228,651	225,579	211,932	207,324	1,342,650	2,449,714

8. OBLIGATION UNDER PUBLIC PRIVATE PARTNERSHIP

PSPC entered into a Public Private Partnership agreement for the construction and management of the Royal Canadian Mounted Police (RCMP) E Division building. Construction of the building was completed in 2013 and a cost of $295,588 thousand was capitalized. The building was funded by a private partner ($142,797 thousand) and PSPC ($152,791 thousand). The obligations for upcoming years include the following:

(in thousands of dollars)	Total future minimum payments	Imputed Interest (10.52%)	2023	2022
Building	230,081	110,185	**119,896**	123,290
Total	230,081	110,185	**119,896**	123,290

The following table presents the future minimum payments:

(in thousands of dollars)	2024	2025	2026	2027	2028	2029 and subsequent	Total
Building	15,624	15,624	15,624	15,624	15,624	151,961	230,081
Total	15,624	15,624	15,624	15,624	15,624	151,961	230,081

9. EMPLOYEE FUTURE BENEFITS

A. PENSION BENEFITS

PSPC 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. The benefits are integrated with Canada/Québec Pension Plan benefits such that the combined pension benefits equate to a rate of approximately 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. Pension benefits are indexed to inflation.

Both the employees and PSPC contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 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 2023 expense amounts to $147,817 thousand ($145,892 thousand in 2022). For Group 1 members, the expense represents approximately 1.02 times (1.01 times in 2022) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2022) the employee contributions.

PSPC'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 PSPC 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. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

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

(in thousands of dollars)	2023	2022
Accrued benefit obligation, beginning of year	**43,688**	49,905
Expense	**(1,657)**	(1,597)
Benefits paid during the year	**(3,458)**	(4,620)
Accrued benefit obligation, end of year	**38,573**	43,688

10. CONTINGENT LIABILITIES

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. PSPC is involved in contingent liabilities for claims and litigations.

CLAIMS AND LITIGATIONS

Claims have been made against PSPC 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. PSPC has recorded an allowance for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made, with the exception of an unresolved claim where litigation is ongoing. Due to the magnitude of this latter claim, an allowance has been recorded centrally by the Office of the Comptroller General in the Consolidated Financial Statements of the Government of Canada which are audited by the Auditor General of Canada. Upon resolution in the future, any resulting liability for this claim will be recorded by the department and could be material. Claims and litigations for which the outcome is not determinable, and a reasonable estimate can be made by management amount to $18,620 thousand at March 31, 2023 ($6,292 thousand in 2022).

11. ACCOUNTS RECEIVABLE AND ADVANCES

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

(in thousands of dollars)	2023	2022
Accounts receivable - Other government departments and agencies	**311,563**	615,709
Accounts receivable - External parties	**121,487**	176,360
Advances	**20,090**	20,524
	453,140	812,593
Less: Allowance for doubtful accounts on receivables from external parties	**(6,062)**	(8,329)
Gross accounts receivable and advances	**447,078**	804,264
Accounts receivable held on behalf of Government	**(16,942)**	(23,448)
Net accounts receivable and advances	**430,136**	780,816

11. ACCOUNTS RECEIVABLE AND ADVANCES *(continued)*

The following table provides an aging analysis of accounts receivable from external parties and the associated valuation allowances used to reflect their net recoverable value:

(in thousands of dollars)	2023	2022
Accounts receivable from external parties		
Not past due	**111,724**	166,044
Number of days past due		
1 to 30	**2,106**	834
31 to 60	**1,103**	276
61 to 90	**993**	245
91 to 365	**982**	1,367
Over 365	**4,579**	7,594
	9,763	10,316
Sub-total	**121,487**	176,360
Less: Valuation allowance	**(6,062)**	(8,329)
Total	**115,425**	168,031

12. RISK MANAGEMENT

PSPC's Financial instruments consist of accounts receivable, accounts payable and accrued liabilities, and the obligation under Public Private Partnership. PSPC has limited exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

(a) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss.

PSPC's maximum exposure to credit risk at March 31, 2023 and March 31, 2022 is the carrying amount of its financial assets which consist of accounts receivable and advances.

The credit risk associated with accounts receivable and advances is minimized, as substantial amounts are from federal or provincial entities. PSPC has determined that there is no significant concentration of credit risk related to accounts receivable from external parties. An analysis of the age of these financial assets and the associated valuation allowances used to reflect these accounts at their net recoverable value is disclosed in Note 11.

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes three types of risk: currency risk, interest rate risk and other price risk. PSPC is exposed to currency risk and interest rate risk:

i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates.

PSPC has determined that there is no significant concentration of currency risk related to foreign denominated financial instruments.

ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. PSPC's obligation under public private partnership bears fixed interest rates. There is no impact on PSPC's financial statements as these items are measured at cost or amortized cost.

(c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities.

As the funding for PSPC's financial liabilities is drawn from the Consolidated Revenue Fund, its exposure to liquidity risk is fully mitigated.

13. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)	Cost				
	Opening Balance Restated (note 2Q)	Acquisitions	Adjustments	Disposals and Write-Offs	Closing Balance
Capital assets					
Land	300,112	-	(7)	(1,874)	**298,231**
Buildings	8,267,683	-	272,724	(61,129)	**8,479,278**
Works and infrastructure	1,939,593	-	(2,042)	(340)	**1,937,211**
Machinery and equipment	61,548	483	5,048	-	**67,079**
Informatics hardware and software	973,753	837	99,762	(18,186)	**1,056,166**
Vehicles	11,573	582	10	(670)	**11,495**
Leasehold improvements	1,337,890	-	70,976	(243,426)	**1,165,440**
	12,892,152	1,902	446,471	(325,625)	**13,014,900**
Assets under construction					
Buildings	1,883,081	890,895	(412,444)	(7,143)	**2,354,389**
Works and infrastructure	568,941	410,880	17,346	(143)	**997,024**
Informatics hardware and software	112,212	66,252	(87,683)	(3,805)	**86,976**
Other assets under construction	14,109	20,224	(14,318)	-	**20,015**
	2,578,343	1,388,251	(497,099)	(11,091)	**3,458,404**
Public Private Partnership					
Building	295,653	-	-	-	**295,653**
	295,653	-	-	-	**295,653**
Leased tangible capital assets					
Land	14,801	-	-	-	**14,801**
Buildings	2,197,336	41,934	12,704	(68,022)	**2,183,952**
Assets under construction	12,710	1,685	(14,395)	-	**-**
	2,224,847	43,619	(1,691)	(68,022)	**2,198,753**
Total	17,990,995	1,433,772	(52,319)	(404,738)	**18,967,710**

13. TANGIBLE CAPITAL ASSETS *(continued)*

	Accumulated amortization					Net Book Value	
(in thousands of dollars)	Opening Balance Restated (note 2Q)	Amortization	Adjustments	Disposals and Write-Offs	Closing Balance	2023	2022 Restated (note 2Q)
Capital assets							
Land	-	-	-	-	-	**298,231**	300,112
Buildings	4,466,388	212,455	2,663	(45,153)	**4,636,353**	**3,842,925**	3,801,295
Works and infrastructure	946,921	67,750	(13,207)	-	**1,001,464**	**935,747**	992,672
Machinery and equipment	25,973	4,476	136	-	**30,585**	**36,494**	35,575
Informatics hardware and software	742,256	68,432	300	(18,186)	**792,802**	**263,364**	231,497
Vehicles	6,289	922	(25)	(664)	**6,522**	**4,973**	5,284
Leasehold improvements	854,178	81,041	344	(242,588)	**692,975**	**472,465**	483,712
	7,042,005	435,076	(9,789)	(306,591)	**7,160,701**	**5,854,199**	5,850,147
Assets under construction							
Buildings						**2,354,389**	1,883,081
Works and infrastructure						**997,024**	568,941
Informatics hardware and software						**86,976**	112,212
Other assets under construction						**20,015**	14,109
						3,458,404	2,578,343
Public Private Partnership							
Building	77,972	8,470	-	-	**86,442**	**209,211**	217,681
	77,972	8,470	-	-	**86,442**	**209,211**	217,681
Leased tangible capital assets							
Land	-	-	-	-	**-**	**14,801**	14,801
Buildings	933,309	100,205	-	(68,021)	**965,493**	**1,218,459**	1,264,027
Assets under construction	-	-	-	-	**-**	**-**	12,710
	933,309	100,205	-	(68,021)	**965,493**	**1,233,260**	1,291,538
Total	8,053,286	543,751	(9,789)	(374,612)	**8,212,636**	**10,755,074**	9,937,709

14. DEPARTMENTAL NET FINANCIAL POSITION

A portion of PSPC's net financial position is restricted and earmarked for specified purposes.

The Seized Property Proceeds Account was established pursuant to section 13 of the *Seized Property Management Act*. The net proceeds, fines or funds received from the disposition of seized and forfeited properties to His Majesty and governments of foreign states (respectively) pursuant to agreements for the purpose of the Act are to be earmarked for specified purposes. Under the Act, expenses to be charged against the revenues include: operating expenses incurred in carrying out the purpose of the Act, amounts paid as a result of claims and repayments of advances from the Minister of Finance, interest on the drawdown from the Seized Property Working Capital Account and distribution of the proceeds to the relevant jurisdictions and the Consolidated Revenue Fund.

Related revenues and expenses are included in the Consolidated Statement of Operations and Departmental Net Financial Position. Activity in the account is as follows:

(in thousands of dollars)	2023	2022 Restated (Note 2Q)
Seized Property Proceeds Account - Restricted, beginning of year	**44,953**	43,244
Revenues	**26,393**	24,007
Expenses	**(34,215)**	(22,298)
	(7,822)	1,709
Seized Property Proceeds Account - Restricted, end of year	**37,131**	44,953
Unrestricted	**7,661,561**	6,777,668
Departmental net financial position - End of year	**7,698,692**	6,822,621

15. CONTRACTUAL OBLIGATIONS AND CONTRACTUAL RIGHTS

A. CONTRACTUAL OBLIGATIONS

The nature of PSPC's activities may result in some large multi-year contracts and obligations whereby the Department will be obligated to make future payments when the services/goods are received. Significant contractual obligations ($10 million or more) that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2024	2025	2026	2027	2028	2029 and subsequent	Total
Capital assets	1,864,294	653,565	823,049	157,951	128,377	34,760	3,661,996
Operating leases	407,446	400,424	371,116	318,688	293,844	602,227	2,393,745
Purchases	2,434,332	1,578,705	1,221,700	1,228,987	1,222,135	3,108,647	10,794,506
Total	**4,706,072**	**2,632,694**	**2,415,865**	**1,705,626**	**1,644,356**	**3,745,634**	**16,850,247**

B. CONTRACTUAL RIGHTS

The activities of PSPC sometimes involve the negotiation of contracts or agreements with outside parties that result in PSPC having rights to both assets and revenues in the future. They principally involve leases of property. At March 31, 2023, there are no major contractual rights ($10 million or more) that will generate revenues in future years.

16. RELATED PARTY TRANSACTIONS

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

A. COMMON SERVICES PROVIDED WITHOUT CHARGE BY OTHER GOVERNMENT DEPARTMENTS

During the year, PSPC received services without charge from certain common service organizations related to legal services, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services provided without charge have been recorded at the carrying value in PSPC's Consolidated Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	**2023**	**2022**
Employer's contribution to the health and dental insurance plans (excluding revolving funds) paid by Treasury Board	**98,855**	100,188
Legal services provided by Justice Canada	**5,692**	5,559
Workers' compensation coverage provided by Employment and Social Development Canada	**993**	1,112
Total	**105,540**	106,859

The government has centralized some of its administrative activities for efficiency, cost-effectiveness 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 audit services provided by the Office of the Auditor General and information technology infrastructure services provided by Shared Services Canada are not included in PSPC's Consolidated Statement of Operations and Departmental Net Financial Position.

B. COMMON SERVICES PROVIDED WITHOUT CHARGE TO OTHER GOVERNMENT DEPARTMENTS

As a federal common service provider, PSPC provides accommodation without charge to other government departments. Throughout the fiscal year, PSPC provided accommodation without charge to other government departments for a fair value amounting to $1,596,355 thousand ($1,553,117 thousand in 2022).

C. ADMINISTRATION OF PROGRAMS ON BEHALF OF OTHER GOVERNMENT DEPARTMENTS

The Government of Canada voluntarily pays its fair share of the costs of local government, from which it is exempt, to municipalities and other taxation authorities having jurisdiction to levy and collect real property taxes in locations where federal lands and buildings are situated. Under the statutory authority of the *Payments in Lieu of Taxes Act*, which is disclosed under grants in the Main Estimates, PSPC administers the Payments in Lieu of Taxes (PILT) Program on behalf of other government departments. During the year, PSPC issued payments that amounted to $557,712 thousand ($582,343 thousand in 2022) on behalf of other participating government departments. Payments were subsequently recovered from participating departments and were recorded as statutory grants in the Public Accounts of Canada. These expenses are reflected in the financial statements of other participating government departments and are not recorded in these financial statements.

16. RELATED PARTY TRANSACTIONS *(continued)*

D. OTHER TRANSACTIONS WITH OTHER GOVERNMENT DEPARTMENTS AND AGENCIES

PSPC enters into transactions with other government departments and agencies in the normal course of business and on normal trade terms.

(in thousands of dollars)	2023	2022
Accounts receivable - Other government departments and agencies	**311,563**	615,709
Accounts payable - Other government departments and agencies	**67,264**	85,232
Consolidated expenses - Other government departments and agencies	**617,425**	472,125
Consolidated revenues - Other government departments and agencies	**3,048,700**	3,222,023

Expenses and revenues disclosed above exclude common services provided without charge, which are already disclosed in Note 16A and 16B.

E. TRANSFERS OF TANGIBLE CAPITAL ASSETS FROM (TO) OTHER GOVERNMENT DEPARTMENTS, AGENCIES AND CROWN CORPORATIONS

During the year, PSPC received furniture and a vehicle from other government departments and agencies; and transferred lands, vehicles, computer hardware, buildings, assets under construction and works and infrastructure to other government departments and agencies. Also, PSPC transferred assets under construction to Crown corporations. The transfers were measured at their net book value.

(in thousands of dollars)	2023	2022
Transfers of tangible capital assets from (to) other government departments and agencies		
Canada School of Public Service	**216**	-
Environment and Climate Change Canada	**(7)**	-
Federal Economic Development Agency for Southern Ontario	**(11)**	(29)
Parliamentary Protective Service	**(122)**	-
House of Commons	**(548)**	(1,196)
Natural Resources Canada	**(1,746)**	-
National Research Council of Canada	**(2,369)**	(885)
Agriculture and Agri-Food Canada	**(15,702)**	-
Health Canada	**(18,755)**	(8,219)
National Defence	**-**	(21)
Parks Canada Agency (net book value ($2) dollars in 2023)	**-**	-
Privy Council Office (net book value ($1) dollar in 2023)	**-**	-
Correctional Service of Canada (net book value $1 dollar in 2022)	**-**	-
Total transfers of tangible capital assets from (to) other government departments and agencies	**(39,044)**	(10,350)
Transfers of tangible capital assets to Crown corporations		
National Capital Commission	**(470)**	(2,482)
National Gallery of Canada	**(525)**	(1,192)
Canada Post Corporation	**(756)**	(4,613)
National Arts Centre	**(3,865)**	(10,619)
Total transfers of tangible capital assets to Crown corporations	**(5,616)**	(18,906)
Total transfers of tangible capital assets from (to) other government departments, agencies and Crown corporations	**(44,660)**	(29,256)

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

17. SEGMENTED INFORMATION

Presentation by segment is based on PSPC's core responsibilities. The presentation by segment is based on the same accounting policies as described in the Summary of Significant Accounting Policies in Note 2.

The following table presents the expenses incurred and revenues generated by core responsibility, by major object of expense, and by major type of revenue. The segmented results for the period are as follows:

(in thousands of dollars)	Purchase of Goods and Services	Payments and Accounting	Property and Infrastructure	Government-Wide Support	Procurement Ombudsman	Internal Services	Intradepartmental transactions	2023	2022 Restated (Note 2Q)
EXPENSES									
Operating expenses									
Salaries and employee benefits	283,593	474,504	529,964	268,147	4,292	332,893	(1,160)	**1,892,233**	1,858,785
Professional and special services	56,965	140,906	1,262,481	104,424	437	45,316	(468,169)	**1,142,360**	954,665
Rentals	461	5,339	1,087,658	37,966	6	19,954	(35,547)	**1,115,837**	1,087,043
Repairs and maintenance	50	2,701	1,061,751	5,841	-	764	(162,899)	**908,208**	928,506
Amortization of tangible capital assets	3	43,798	482,093	7,945	-	9,912	-	**543,751**	550,815
Land, buildings and works *	-	-	410,715	-	-	-	(75)	**410,640**	443,485
Utilities, materials and supplies	260,316	3,722	85,166	2,158	-	977	(8,870)	**343,469**	579,630
Payments in lieu of taxes	-	-	158,367	-	-	-	-	**158,367**	178,595
Machinery and equipment *	1,138	20,250	62,754	991	23	18,581	(3,376)	**100,361**	72,232
Interest on capital lease payments	-	-	98,186	-	-	-	-	**98,186**	102,259
Interest and banking fees	3	64,257	161	15	-	48	-	**64,484**	63,537
Transportation and communications	7,743	35,466	14,425	3,674	39	3,015	(197)	**64,165**	225,035
Expenses from Seized Property Proceeds Account *(note 14)*	-	-	-	34,215	-	-	-	**34,215**	22,298
Information	402	540	20,011	9,845	96	1,381	(695)	**31,580**	13,712
Other expenses	7,726	1,102	82,358	61,367	-	254	(123,259)	**29,548**	52,086
Interest on obligation under Public Private Partnership	-	-	12,230	-	-	-	-	**12,230**	12,553
Reclassification of assets under construction including capitalization of previous years	-	-	2,575	1,469	-	976	-	**5,020**	28,706
Environmental liability adjustments	-	-	(10,529)	-	-	-	-	**(10,529)**	(30,512)
Intradepartmental transactions	(32,489)	(1,252)	(627,423)	(72,767)	-	(70,316)	804,247	**-**	-
TOTAL CONSOLIDATED EXPENSES	585,911	791,333	4,732,943	465,290	4,893	363,755	-	**6,944,125**	**7,143,430**

* These expenses are mainly related to tangible capital assets that are below PSPC's capitalization threshold *(Note 2M)*.

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

17. SEGMENTED INFORMATION *(continued)*

(in thousands of dollars)	Purchase of Goods and Services	Payments and Accounting	Property and Infrastructure	Government-Wide Support	Procurement Ombudsman	Internal Services	Intradepartmental transactions	2023	2022 Restated (Note 2Q)
REVENUES									
Sales of goods and information products	205	-	1,861,175	2,618	-	-	(249,342)	**1,614,656**	1,446,758
Rentals	-	-	867,085	-	-	-	(15,635)	**851,450**	831,668
Services of a non-regulatory nature **	404,205	7,780	57,754	308,701	-	68,917	(190,854)	**656,503**	1,048,670
Services of a regulatory nature ***	-	164,355	10,204	9,974	-	226	(1,398)	**183,361**	170,461
Other revenues	22,575	35,448	376,743	55,838	-	20,773	(347,018)	**164,359**	107,044
Revenues from Seized Property Proceeds Account *(note 14)*	-	-	-	26,393	-	-	-	**26,393**	24,007
Revenues earned on behalf of Government	(25,093)	(44,591)	(49,847)	(36,513)	-	(17,945)	-	**(173,989)**	(119,240)
Intradepartmental transactions	(32,489)	(1,252)	(627,423)	(72,767)	-	(70,316)	804,247	**-**	-
TOTAL CONSOLIDATED REVENUES	369,403	161,740	2,495,691	294,244	-	1,655	-	**3,322,733**	**3,509,368**
NET COST OF OPERATIONS	**216,508**	**629,593**	**2,237,252**	**171,046**	**4,893**	**362,100**	**-**	**3,621,392**	**3,634,062**

** Services of a non-regulatory nature are mainly comprised of special accommodation and real property services, real property project management services, translation services, as well as freight services, material transportation and travel procurement.

*** Services of a regulatory nature are mainly comprised of cost recovery for services provided to administer the *Public Service Superannuation Act (PSSA)* and for payment services for Receiver General functions.

18. COMPARATIVE FIGURES

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