



Service | Innovation | Value

## SHARED SERVICES CANADA

### Financial Statements

March 31, 2013



Shared Services  
Canada

Services partagés  
Canada

Canada 

## Shared Services Canada

### Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2013, and all information contained in these statements rests with the management of Shared Services Canada. 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 fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of Shared Services Canada's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in Shared Services Canada's *Departmental Performance 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.

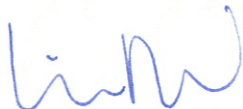
Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout Shared Services Canada 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.


As summarized in the attached annex accompanying these financial statements, a risk-based assessment of the system of ICFR for the year ended March 31, 2013 was completed in accordance with the Treasury Board *Policy on Internal Control*.

The effectiveness and adequacy of Shared Services Canada's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Shared Services Canada's operations, and by the Departmental Audit and Evaluation Committee, which provides objective advice and recommendations to the President regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the department's risk management, control and governance frameworks and processes. The Committee also provides advice on the financial statements to the President of Shared Services Canada.

The financial statements of Shared Services Canada have not been audited.



**Liseanne Forand**  
President



**Gina Rallis**  
Senior Assistant Deputy Minister,  
Corporate Services, and  
Chief Financial Officer

Ottawa, Canada  
Date **AUG 20 2013**




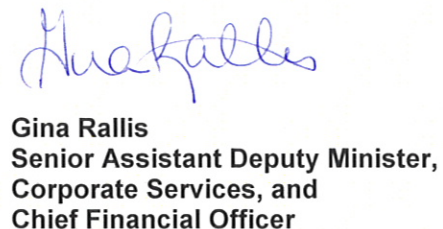
**Shared Services Canada**  
**Statement of Financial Position (Unaudited)**  
**As at March 31**  
*(in thousands of dollars)*

	<u>2013</u>	<u>2012</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	384,180	166,303
Vacation pay and compensatory leave	22,333	20,540
Deferred revenues (note 5)	17,340	-
Lease obligations for tangible capital assets (note 6)	52,201	33,097
Employee future benefits (note 7)	57,531	93,656
<b>Total net liabilities</b>	<b>533,585</b>	<b>313,596</b>
<b>Financial assets</b>		
Due from the Consolidated Revenue Fund	267,299	128,074
Accounts receivable and advances (note 8)	181,475	44,813
<b>Total gross financial assets</b>	<b>448,774</b>	<b>172,887</b>
<b>Financial assets held on behalf of Government</b>		
Accounts receivable and advances (note 8)	(3,587)	(157)
<b>Total financial assets held on behalf of Government</b>	<b>(3,587)</b>	<b>(157)</b>
<b>Total net financial assets</b>	<b>445,187</b>	<b>172,730</b>
<b>Departmental net debt</b>	<b>88,398</b>	<b>140,866</b>
<b>Non-financial assets</b>		
Prepaid expenses	34,850	42,486
Tangible capital assets (note 9)	324,147	324,681
<b>Total non-financial assets</b>	<b>358,997</b>	<b>367,167</b>
<b>Departmental net financial position</b>	<b>270,599</b>	<b>226,301</b>

Contractual obligations (note 10)  
Contingent liabilities (note 11)

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

  
**Liseanne Forand**  
**President**

  
**Gina Rallis**  
**Senior Assistant Deputy Minister,**  
**Corporate Services, and**  
**Chief Financial Officer**

Ottawa, Canada  
Date  
**AUG 21 2013**

**Shared Services Canada**  
**Statement of Operations and Departmental Net Financial Position (Unaudited)**  
**For the year ended March 31**  
*(in thousands of dollars)*

	<b>2013</b>
<b>Expenses</b>	
Efficient and effective information technology infrastructure services	1,647,030
Internal Services	118,300
<b>Total expenses</b>	<b>1,765,330</b>
<b>Revenues</b>	
Sale of goods and services	381,915
Miscellaneous revenues	35
Revenues earned on behalf of Government	(8,470)
<b>Total revenues</b>	<b>373,480</b>
<b>Net cost of operations before government funding and transfers</b>	<b>1,391,850</b>
<b>Government funding and transfers</b>	
Net cash provided by Government of Canada	1,247,414
Change in due from the Consolidated Revenue Fund	139,225
Services provided without charge by other government departments (note 12)	47,457
Transfer of tangible capital assets from other government departments	3,444
Transfer of tangible capital assets to other government departments	(1,392)
<b>Net cost of operations after government funding and transfers</b>	<b>(44,298)</b>
<b>Departmental net financial position – Beginning of year</b>	<b>226,301</b>
<b>Departmental net financial position – End of year</b>	<b>270,599</b>

Segmented information (note 13)

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

**Shared Services Canada**  
**Statement of Change in Departmental Net Debt (Unaudited)**  
**For the year ended March 31**  
*(in thousands of dollars)*

	2013
<b>Net cost of operations after government funding and transfers</b>	<b>(44,298)</b>
<b>Change due to tangible capital assets</b>	
Acquisitions of tangible capital assets	118,199
Amortization of tangible capital assets	(120,045)
Loss on write-offs of tangible capital assets	(740)
Transfer from other government departments	3,444
Transfer to other government departments	(1,392)
<b>Total change due to tangible capital assets</b>	<b>(534)</b>
<b>Change due to prepaid expenses</b>	<b>(7,636)</b>
<b>Net increase (decrease) in departmental net debt</b>	<b>(52,468)</b>
<b>Departmental net debt – Beginning of year</b>	<b>140,866</b>
<b>Departmental net debt – End of year</b>	<b>88,398</b>

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

**Shared Services Canada**  
**Statement of Cash Flows (Unaudited)**  
**For the year ended March 31**  
*(in thousands of dollars)*

	<b>2013</b>
<b>Operating activities</b>	
Net cost of operations before government funding and transfers	1,391,850
Non-cash items:	
Amortization of tangible capital assets	(120,045)
Loss on write-offs of tangible capital assets	(740)
Services provided without charge by other government departments (note 12)	(47,457)
Variations in Statement of Financial Position:	
Increase (decrease) in accounts receivable and advances	133,232
Increase (decrease) in prepaid expenses	(7,636)
Decrease (increase) in accounts payable and accrued liabilities	(217,877)
Decrease (increase) in vacation pay and compensatory leave	(1,793)
Decrease (increase) in deferred revenue	(17,340)
Decrease (increase) in employee future benefits	36,125
<b>Cash used in operating activities</b>	<b>1,148,319</b>
<b>Capital investing activities</b>	
Acquisitions of tangible capital assets (excluding leased tangible capital assets)	75,667
<b>Cash used in capital investing activities</b>	<b>75,667</b>
<b>Financing activities</b>	
Payments on lease obligations for tangible capital assets	23,428
<b>Cash used in financing activities</b>	<b>23,428</b>
<b>Net cash provided by Government of Canada</b>	<b>1,247,414</b>

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

**Shared Services Canada**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the year ended March 31, 2013**

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## **1. Authority and Objectives**

Shared Services Canada (SSC) is a federal department created on August 4, 2011, to fundamentally transform how the Government of Canada manages its information technology (IT) infrastructure. SSC reports to Parliament through the Minister of Public Works and Government Services and is responsible for delivering mandated email, data centre and network services to its 43 partner departments in a consolidated and standardized manner to support the delivery of Government of Canada programs and services. SSC also provides certain optional technology-related services to government organizations on a cost-recovery basis. With a whole-of-government approach to IT, SSC is creating economies of scale to deliver more efficient, reliable and secure IT infrastructure services to Government of Canada departments. SSC's mandate was reinforced on June 29, 2012, with the passage of the *Shared Services Canada Act* by Parliament.

SSC's Program Alignment Architecture supports the achievement of the following strategic outcome: *Mandated services are delivered in a consolidated and standardized manner to support the delivery of Government of Canada programs and services for Canadians.*

SSC's Program Alignment Architecture includes the following programs:

- **Efficient and effective information technology infrastructure services are delivered across Government of Canada:** Enterprise-wide consolidation in the areas of email, data centres and telecommunications improves the overall efficiency, reliability and security of IT infrastructure.
- **Internal services:** Internal services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal services include only those activities and resources that apply across an organization and not those provided to a specific program. These groups of activities include: management and oversight services; communications services; legal services; human resources management services; financial management services; information management services; information technology services; real property services; materiel services; acquisition services; and travel and other administrative 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

SSC is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to SSC do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting.

**Shared Services Canada**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the year ended March 31, 2013**

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b) Net cash provided by Government of Canada

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

c) Amounts due from or to the Consolidated Revenue Fund

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that SSC is entitled to draw from the CRF without further authorities to discharge its liabilities.

d) Revenues

Revenues from sale of goods and services are recognized in the accounts based on the goods and services provided in the year.

Funds that have been received in advance are recorded as deferred revenue, provided the Department has an obligation to other parties for the provision of goods, services or the use of assets in the future.

Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Revenues that are non-respendable are not available to discharge SSC's liabilities. While SSC is expected to maintain accounting control, the Department 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 SSC'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 employer contributions to the health and dental insurance plans and legal services 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. SSC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. SSC'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



**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the year ended March 31, 2013**

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 accounts receivable where recovery is considered uncertain.

h) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. SSC does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	Amortization Period
Buildings	From 20 to 40 years
Works and infrastructure	From 20 to 40 years
Machinery and equipment	From 5 to 15 years
Computer hardware	From 3 to 10 years
Computer software	From 3 to 10 years
Vehicles	From 6 to 8 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement
Leased tangible capital assets	According to the useful life of the asset if a bargain purchase option exists or over the term of the lease

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

i) Contingent liabilities

Contingent liabilities are potential liabilities that 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 if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

j) Foreign currency transactions

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect at year-end. Gains and losses resulting from foreign currency transactions are respectively included in the

**Shared Services Canada**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the year ended March 31, 2013**

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miscellaneous revenues and other expenses in the Statement of Operations and Departmental Net Financial Position.

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. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the year ended March 31, 2013**

**3. Parliamentary Authorities**

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

	<u>2013</u> <i>(in thousands of dollars)</i>
Net cost of operations before government funding and transfers	1,391,850
Adjustments for items affecting net cost of operations but not affecting authorities:	
Amortization of tangible capital assets	(120,045)
Loss on write-offs of tangible capital assets	(740)
Services provided without charge by other government departments	(47,457)
Decrease (increase) in vacation pay and compensatory leave	(1,793)
Decrease (increase) in employee future benefits	60,513
Bad debt expense	3
Refunds / Adjustment to previous years' expenses	2,679
Outstanding spendable revenue	23,172
Total items affecting net cost of operations but not affecting authorities	<u>(83,668)</u>
Adjustments for items not affecting net cost of operations but affecting authorities:	
Acquisitions of tangible capital assets (excluding leased tangible capital assets)	75,667
Payments on lease obligations for tangible capital assets	23,428
Increase (decrease) in prepaid expenses	(7,636)
Revenue available for spending	(18,496)
Other	4
Total items not affecting net cost of operations but affecting authorities	<u>72,967</u>
<b>Current year authorities used</b>	<b><u><u>1,381,149</u></u></b>

**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the year ended March 31, 2013**

**b) Authorities provided and used**

	<b>2013</b>
	<i>(in thousands of dollars)</i>
Authorities provided:	
Vote 20 – Operating expenditures	1,370,381
Vote 25 – Capital expenditures	101,459
Statutory amounts	80,611
Less:	
Authorities available for future years	(2)
Lapsed: Operating expenditures	(171,300)
<b>Current year authorities used</b>	<b>1,381,149</b>

**4. Accounts Payable and Accrued Liabilities**

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

	<b>2013</b>
	<i>(in thousands of dollars)</i>
Accounts payable - External parties	181,962
Accounts payable - Other government departments, agencies and Crown corporations	44,719
Total accounts payable	226,681
Accrued liabilities	157,499
<b>Total accounts payable and accrued liabilities</b>	<b>384,180</b>



**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the year ended March 31, 2013**

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**5. Deferred Revenues**

Deferred revenues represent the balance at year-end of unearned revenues stemming from amounts received in advance for which services will be provided in the future. Revenue is recognized in the period in which the service is performed. Details of the transactions related to this account are as follows:

	<b>2013</b>
	<i>(in thousands of dollars)</i>
<b>Opening balance</b>	-
Amounts received	18,496
Revenue recognized	(1,156)
<b>Net closing balance</b>	<b>17,340</b>

**6. Lease Obligations for Tangible Capital Assets**

SSC has entered into agreements to lease certain computer hardware under capital leases with a cost of \$81 million and accumulated amortization of \$27 million as at March 31, 2013 (\$55 million and \$21 million respectively as at March 31, 2012). The obligations related to the upcoming years include the following:

	<b>2013</b>	<b>2012</b>
	<i>(in thousands of dollars)</i>	
2013	-	11,734
2014	23,444	10,725
2015	20,417	7,697
2016	9,149	3,848
Total future minimum lease payments	53,010	34,004
Less: imputed interest (0.14% to 6.73%)	809	907
<b>Balance of obligations under leased tangible capital assets</b>	<b>52,201</b>	<b>33,097</b>

**Shared Services Canada**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the year ended March 31, 2013**

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**7. Employee Future Benefits**

**a) Pension benefits**

SSC's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and SSC contribute to the cost of the Plan. The 2012-2013 expense amounts to \$54 million (\$23 million in 2011-2012), which represents approximately 1.7 times (1.8 times in 2011-2012) the contributions by employees.

SSC'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**

SSC provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

Information about the severance benefits, measured as at March 31, is as follows:

	<b>2013</b>
	<i>(in thousands of dollars)</i>
<b>Accrued benefit obligation - Beginning of year</b>	<b>93,656</b>
Expense (adjustment) for the year	(7,161)
Benefits paid during the year	(28,964)
<b>Accrued benefit obligation - End of year</b>	<b>57,531</b>

**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the year ended March 31, 2013**

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**8. Accounts Receivable and Advances**

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

	<b>2013</b>
	<i>(in thousands of dollars)</i>
Receivables - Other government departments, agencies and Crown corporations	180,860
Receivables – External parties	597
Employee advances	25
Subtotal	<u>181,482</u>
Allowance for doubtful accounts on receivables from external parties	(7)
<b>Gross accounts receivable</b>	<u><b>181,475</b></u>
Accounts receivable held on behalf of Government	(3,587)
<b>Net accounts receivable</b>	<u><b>177,888</b></u>

**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the year ended March 31, 2013**

**9. Tangible Capital Assets**

(in thousands of dollars)

Capital Asset Class	Cost				Accumulated amortization				Net Book Value		
	Opening Balance	Acquisitions	Adjustments and Write-Offs	Closing balance	Opening balance	Amortization	Adjustments and Write-offs	Disposals and Write-offs	Closing balance	2013	2012
Land	2	-	-	2	-	-	-	-	-	2	2
Buildings	3,085	-	-	3,085	1,843	102	-	-	1,945	1,140	1,242
Works and infrastructure	27	-	-	27	-	2	-	-	2	25	27
Machinery and equipment	42,952	1,787	1,561	46,286	19,673	3,578	128	-	23,379	22,907	23,279
Computer hardware	791,912	69,822	10,149	871,866	582,233	78,645	8,587	1	669,464	202,402	209,679
Computer software	127,453	1,778	(5,653)	123,578	94,511	13,728	(4,866)	-	103,373	20,205	32,942
Vehicles	25	-	-	25	-	4	-	-	4	21	25
Leasehold improvements	3,626	341	-	3,967	765	986	-	-	1,751	2,216	2,861
Leased tangible capital assets	55,217	42,532	-	81,090	20,993	23,000	-	16,659	27,334	53,756	34,224
Assets under construction	20,400	1,939	(156)	21,473	-	-	-	-	-	21,473	20,400
<b>Total</b>	<b>1,044,699</b>	<b>118,199</b>	<b>5,901</b>	<b>1,151,399</b>	<b>720,018</b>	<b>120,045</b>	<b>3,849</b>	<b>16,660</b>	<b>827,252</b>	<b>324,147</b>	<b>324,681</b>

Adjustments include assets under construction of \$156 thousand that were transferred to the other categories upon completion of the assets.

During the year, SSC received machinery and equipment, computer hardware and computer software from other government departments with a net book value of \$3,444 thousand. Also, SSC transferred computer hardware and computer software to other government departments with a net book value of \$1,392 thousand. These transfers are included in the adjustment columns.



**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the year ended March 31, 2013**

**10. Contractual Obligations**

The nature of SSC's activities can result in some large multi-year contracts and obligations whereby SSC 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:

<i>(in thousands of dollars)</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018 and thereafter</b>	<b>Total</b>
Operating leases	294,451	186,094	149,687	94,388	105,661	830,281

**11. Contingent liabilities**

In the normal course of its operations, SSC may become involved in various legal actions. Some of these legal actions may result in actual liabilities when one or more future events occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, a liability is accrued and an expense recorded in the financial statements. No contingent liabilities are recognized in SSC's financial statements for the fiscal year ended March 31, 2013.

**12. Related Party Transactions**

As a result of common ownership, SSC is related to all government departments, agencies, and Crown corporations. SSC enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, SSC received common services which were obtained without charge from other government departments and provided common services without charge to other government departments as disclosed below.

**(a) Common services provided without charge by other government departments**

During the year, SSC received services without charge from certain common service organizations, related to legal services and the employer's contribution to the health and dental insurance plans. The cost of these services provided without charge has been recorded in SSC's Statement of Operations and Departmental Net Financial Position as follows:

	<b>2013</b>
	<i>(in thousands of dollars)</i>
Employer's contribution to the health and dental insurance plans	47,451
Legal services	6
<b>Total</b>	<b>47,457</b>

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

**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the year ended March 31, 2013**

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issuance services provided by Public Works and Government Services Canada, are not included in SSC's Statement of Operations and Departmental Net Financial Position.

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

During the year, SSC provided services without charge to other government departments, related to the provision of email, data centre and network services.

**(c) Other transactions with related parties**

	<u>2013</u> <i>(in thousands of dollars)</i>
Expenses – Services provided to SSC by other government departments, agencies and Crown corporations	312,687
Revenues – Services provided by SSC to other government departments, agencies and Crown corporations	381,879

**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the year ended March 31, 2013**

**13. Segmented Information**

Presentation by segment is based on SSC's Program Alignment 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 programs, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

<i>(in thousands of dollars)</i>	<b>Efficient and effective information technology infrastructure services</b>	<b>Internal Services</b>	<b>2013 Total</b>
Operating expenses			
Salaries and employee benefits	531,068	70,912	601,980
Transportation and telecommunications	487,541	920	488,461
Rentals	184,745	10,351	195,096
Professional and special services	151,718	21,112	172,830
Amortization of tangible capital assets	109,098	10,947	120,045
Machinery and equipment	83,626	3,280	86,906
Repairs and maintenance	67,305	106	67,411
Utilities, materials and supplies	8,611	835	9,446
Information	1,703	119	1,822
Interest on capital lease payments	1,025	-	1,025
Loss on write-offs of tangible capital assets	740	-	740
Other expenses	19,850	(282)	19,568
Total operating expenses	1,647,030	118,300	1,765,330
Revenues			
Sale of goods and services	381,915	-	381,915
Miscellaneous revenues	22	13	35
Revenues earned on behalf of Government	(8,460)	(10)	(8,470)
Total revenues	373,477	3	373,480
<b>Net cost of operations before government funding and transfers</b>	<b>1,273,553</b>	<b>118,297</b>	<b>1,391,850</b>

**Shared Services Canada**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the year ended March 31, 2013**

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**14. Comparative information**

This is the first year that a set of financial statements is produced. It is neither practical nor possible with a reasonable level of effort for SSC to show certain comparative amounts because some previous year's amounts would not be substantiated with the required degree of precision. For the previous fiscal year, SSC had to rely on 43 partner departments to process financial transactions on its behalf. The 43 partner departments transferred to SSC aggregate totals for reporting in the 2011-2012 Public Accounts, with details retained in their financial systems and records. It has only been since April 1, 2012 that SSC received its own budget and commenced operations as a stand-alone department.



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

Assessment of Internal Controls over  
Financial Reporting and the Action Plan for  
the fiscal year ending March 31, 2013

## Note to the reader

The *Policy on Internal Control* requires that departments demonstrate the measures they are taking to maintain an effective system of internal control over financial reporting (ICFR).

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

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

- Transactions are appropriately authorized;
- Financial records are properly maintained;
- Assets are safeguarded from risks such as waste, abuse, loss, fraud and mismanagement; and
- Applicable laws, regulations and policies are followed.

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

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

**Annex to the Statement of Management Responsibility including ICFR  
Fiscal Year 2012-2013  
(unaudited)**

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## **1. Introduction**

This document is attached to the Shared Services Canada (SSC) *Statement of Management Responsibility Including Internal Control Over Financial Reporting* for the fiscal-year 2012-2013. As required by the *Policy on Internal Control*, for the first time, this document provides summary information on the measures taken by SSC to maintain an effective system of internal control over financial reporting (ICFR). In particular, it provides summary information on the planning and assessment conducted by SSC as at March 31, 2013, including progress and related action plans along with some financial highlights pertinent to understanding the control environment unique to the department.

### **1.1 Authority, Mandate and Programs**

SSC is a federal department created on August 4, 2011, to fundamentally transform how the Government of Canada manages its information technology (IT) infrastructure. SSC reports to Parliament through the Minister of Public Works and Government Services and is responsible for delivering mandated email, data centre and network services to its 43 partner departments in a consolidated and standardized manner to support the delivery of Government of Canada programs and services. SSC also provides certain optional technology related services to government organizations on a cost-recovery basis. SSC's mandate was reinforced on June 29, 2012 with the passage of the *Shared Services Canada Act* by Parliament.

SSC's mandate was recently expanded, by Order in Council dated April 3, 2013, to include the procurement of end user devices and related software, including security software, for federal employees.

Additional information on SSC's authority, mandate and programs can be found in the *Departmental Performance Report* [[HYPERLINK](#)] and *Report on Plans and Priorities* [[HYPERLINK](#)].

### **1.2 Financial highlights**

This Annex accompanies the financial statements of SSC for fiscal year 2012-2013. Additional information can also be found in the Public Accounts of Canada [[HYPERLINK](#)].

- Total expenses were \$1.765 billion, 34.10% of which is salaries and employee benefits;
- Total gross revenues were \$381.9 million, 97.78% of which is spendable revenue from the sale of goods and services;
- Total net assets were \$804.2 million and total liabilities were \$533.6 million. Tangible capital assets (\$324.1 million) comprise 40.30% of departmental total net assets. Accounts payable and accrued liabilities (\$384.2 million) comprise 72.00% of total liabilities; and
- SSC has a number of information systems, such as an integrated financial system (SAP) and a human resource management system (PeopleSoft), that are critical to its operations and financial reporting.

**Annex to the Statement of Management Responsibility including ICFR  
Fiscal Year 2012-2013  
(unaudited)**

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### **1.3 Service arrangements relevant to financial statements**

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

**Common Arrangements:**

- Public Works and Government Services Canada (PWGSC) centrally administers the payments of salaries and the procurement of goods and services, as per the Department's Delegation of Authority and provides accommodation services;
- Treasury Board Secretariat provides the department with information used to calculate various accruals and allowances, such as the accrued severance liability; and
- The Department of Justice provides legal services to SSC.

**Specific Arrangements:**

- PWGSC provides SSC with a SAP financial system platform to capture and report financial transactions; and
- Agriculture and Agri-Food Canada provides SSC with a PeopleSoft platform to process transactions related to human resources.

### **1.4 Material changes in fiscal-year 2012-2013**

On April 1, 2012, SSC received its own budget and commenced operations as a stand-alone department. Prior to that, SSC relied on its 43 partner departments to process and certify financial transactions on its behalf.

## **2. Control environment of SSC relative to ICFR**

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

### **2.1 Key positions, roles and responsibilities**

Below are SSC's key positions and committees with responsibilities for maintaining and reviewing the effectiveness of its system of ICFR.

**President** – SSC's President, as Accounting Officer, assumes overall responsibility and leadership for the measures taken to maintain an effective system of internal control. In this role, the President chairs the Senior Management Board.

**Chief Financial Officer (CFO)** – SSC's CFO reports directly to the President and provides leadership for the coordination, coherence and focus on the design and maintenance of an effective and integrated system of ICFR, including its annual assessment.

**Annex to the Statement of Management Responsibility including ICFR  
Fiscal Year 2012-2013  
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**Senior Departmental Managers** – SSC’s senior departmental managers in charge of program delivery are responsible for maintaining and reviewing effectiveness of their system of ICFR falling within their mandate.

**Chief Audit and Evaluation Executive (CAEE)** – SSC’s CAEE reports directly to the President and provides assurance through periodic internal audits which are instrumental to the maintenance of an effective system of ICFR.

**Departmental Audit and Evaluation Committee (DAEC)** - The DAEC is an advisory committee that provides objective views on SSC’s risk management, control and governance frameworks. It is comprised of four external members and was established in 2012.

**Senior Management Board (SMB)** - As SSC’s central decision-making body, the SMB reviews, approves and monitors the Corporate Risks Profile and the departmental system of internal control, including the assessment and action plans relating to the system of ICFR.

## **2.2 Key measures taken by SSC**

SSC's control environment also includes a series of measures to equip its staff to manage risks well through raising awareness, providing appropriate knowledge and tools as well as developing skills. Key measures include:

- An Office of Values and Ethics;
- Department’s values and ethics code;
- A dedicated team under the CFO on management and coordination of internal control over financial reporting;
- Annual performance agreements with clear financial management responsibilities;
- Training program and communications in core areas of financial management;
- Departmental policy instruments tailored to SSC’s control environment;
- Regularly updated delegated authorities matrix; and
- An integrated risk management framework.

## **3. Assessment baseline as of March 31, 2013**

In 2012-2013, consistent with the Treasury Board *Policy on Internal Control*, SSC commenced the development of a systematic risk-based and multi-year assessment plan for the design and operating effectiveness testing of its systems of ICFR.

Through design effectiveness testing, SSC will ensure that key controls relevant to ICFR have been properly identified, documented, in place, aligned with the risks they aim to mitigate, and that any remediation is addressed in a timely manner.

Through operating effectiveness testing, SSC will ensure that key controls over financial reporting have been tested over a defined period, are working as intended and that any required remediation is addressed in a timely manner.

**Annex to the Statement of Management Responsibility including ICFR  
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Such testing covers all departmental key controls which include entity level controls, IT general controls and key business process controls. Testing of the design and operating effectiveness of the key controls over financial reporting will lead to on-going monitoring.

In support of continuous improvement of its system of ICFR, SSC will put in place a systematic and risk-based rotational on-going monitoring plan through which the effectiveness of key controls is assessed including making any necessary adjustments.

**4. Departmental Progress as of March 31, 2013**

In fiscal year 2012-2013, SSC commenced a review of its most significant accounts taking into account risks and materiality. The following main control areas have been identified:

- Entity Level Controls;
- IT General Controls; and
- Business Process Controls - preliminary scoping indicates that key business processes may include financial close and reporting, capital assets, payroll, accounts payable, and revenue.

On this basis, SSC is in the process of documenting its approach and criteria for identifying and assessing key risks and controls as a basis for its multi-year action plan.

**5. Departmental action plan for the next fiscal year and subsequent years**

Beginning in 2013-2014, the action plan below summarizes the progress that SSC plans to make in completing the assessment of the effectiveness of the departmental system of ICFR:

**Annex to the Statement of Management Responsibility including ICFR  
Fiscal Year 2012-2013  
(unaudited)**

Assessment Elements	2013- 2014	2014- 2015	2015- 2016	2016- 2017
<b>Assessment of design effectiveness of key controls</b>				
Completion of scoping and risk assessment	√			
Documentation of key risks and key controls	√	√		
Testing of design effectiveness of key controls		√	√	
Remediation of key control design effectiveness deficiencies, as required		√	√	
<b>Assessment of operating effectiveness of key controls</b>				
Testing of operating effectiveness of key controls			√	√
Remediation of key control operating effectiveness deficiencies, as required			√	√
<b>On-going monitoring program of the effectiveness of the departmental system of ICFR</b>				√

### 5.1 Specific actions for 2013-2014

SSC plans to undertake the following:

- Complete a departmental framework for ICFR;
- Finalize the risk assessment and scoping of key control areas related to Entity Level Controls, IT General Controls, and Business Process Controls;
- Conduct interviews with process owners to understand and corroborate the key control areas, and confirm the status of related business processes;
- Based upon the results of the risk assessment and scoping, develop an ICFR assessment plan with refined timelines and expected completion timeframes for the assessment stages for each of the key control areas; and
- Undertake the documentation of key processes and controls, and identify gaps that need to be addressed.



**Annex to the Statement of Management Responsibility including ICFR**  
**Fiscal Year 2012-2013**  
**(unaudited)**

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As 2012-2013 was the first full year of operations, SSC focused on building a new department from the ground up. While SSC made significant progress, further work is required to fully implement certain business processes and control activities. For example, SSC is in the process of implementing the extension of its mandate to include the procurement of end user devices and related software, including security software, for federal employees. The continuing work to build the department will affect the extent and timing of work on the assessment of ICFR. SSC will update its action plan to confirm the feasibility of key deliverables and take into account any new or changed financial reporting risks.