

Office of the Intelligence Commissioner

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the period from July 12, 2019 to March 31, 2020 and all information contained in these statements rests with the management of the Office of the Intelligence Commissioner (ICO). 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 the ICO's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the ICO's *Departmental Results Report* is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

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

ICO will be subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to comply with the Treasury Board *Policy on Financial Management*.

In the interim, ICO has undertaken a risk-based assessment of the system of ICFR during the period from July 12, 2019 to March 31, 2020 in accordance with the Treasury Board *Policy on Financial Management* and the action plan is summarized in the annex.

The financial statements of the ICO have not been audited.

The Honourable Jean-Pierre Plouffe, C.D.
Intelligence Commissioner

Guylaine A. Dansereau
Chief Financial Officer

Ottawa, Canada
September 21, 2020

Office of the Intelligence Commissioner
Statement of Financial Position (Unaudited)
As at March 31, 2020
(in dollars)

	<u>2020</u>
Financial assets	
Due from the Consolidated Revenue Fund	\$411,078
Accounts receivable and advances (note 4)	48,965
Total financial assets	<u>460,043</u>
Liabilities	
Accounts payable and accrued liabilities (note 5)	421,906
Vacation pay and compensatory leave	26,352
	<u>448,258</u>
Departmental net financial assets	<u>11,785</u>
Non-financial assets	
Prepaid expenses	7,151
Tangible capital assets (note 7)	283,682
Total non-financial assets	<u>290,833</u>
Departmental net financial position	<u><u>\$302,618</u></u>

Contractual obligations (note 8)

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

The Honourable Jean-Pierre Plouffe, C.D.
Intelligence Commissioner

Guylaine A. Dansereau
Chief Financial Officer

Ottawa, Canada
September 21, 2020

Office of the Intelligence Commissioner
Statement of Operations and Departmental Net Financial Position (Unaudited)
For the period from July 12, 2019 to March 31, 2020
(in dollars)

	<u>2020</u>
Expenses	
Quasi-judicial Review Program	\$1,390,377
Internal Services	<u>444,797</u>
Net cost of operations before government funding and transfers	1,835,174
Government funding	
Net cash provided by Government	1,447,277
Transfer of assets and liabilities from an other government department (note 9)	187,438
Services provided without charge by an other government department (note 10)	91,999
Change in due from the Consolidated Revenue Fund	<u>411,078</u>
Net cost of operations after government funding and transfers	(302,618)
Departmental net financial position – Beginning of year	-
Departmental net financial position – End of year	<u><u>\$302,618</u></u>

Segmented information (note 11)

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

Office of the Intelligence Commissioner
Statement of Change in Departmental Net Debt (Unaudited)
For the period from July 12, 2019 to March 31, 2020
(in dollars)

	<u>2020</u>
Net cost of operations after government funding and transfers	<u>(\$302,618)</u>
Change due to tangible capital assets	
Transfer from an other government department	358,941
Amortization of tangible capital assets	<u>(75,259)</u>
Total change due to tangible capital assets	283,682
Change due to prepaid expenses	<u>7,151</u>
Net increase in departmental net debt	(11,785)
Departmental net debt – Beginning of year	-
Departmental net debt – End of year	<u><u>(\$11,785)</u></u>

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

Office of the Intelligence Commissioner
Statement of Cash Flows (Unaudited)
For the period from July 12, 2019 to March 31, 2020
(in dollars)

	<u>2020</u>
Operating Activities	
Net cost of operations before government funding and transfers	\$1,835,174
Non-cash items:	
Services provided without charge by an other government department (note 10)	(91,999)
Amortization of tangible capital assets	(75,259)
Variations in Statement of Financial Position	
Increase in accounts receivable and advances	48,965
Increase in prepaid expenses	7,151
(Increase) in accounts payable and accrued liabilities	(421,906)
(Increase) in vacation pay and compensatory leave	(26,352)
Transfer of liabilities and non-capital assets from an other government department (note 9)	<u>171,503</u>
Cash used in operating activities	<u>1,447,277</u>
Net cash provided by Government of Canada	<u><u>\$1,447,277</u></u>

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

Office of the Intelligence Commissioner
Notes to the Financial Statements (Unaudited)
As of March 31, 2020

1. Authority and objectives

With the coming into force of the *Intelligence Commissioner Act* (IC Act) on July 12, 2019, the Office of the Intelligence Commissioner (ICO) was created. In accordance with the provisions of the IC Act, the former Commissioner of the CSE became the Intelligence Commissioner; the former employees of the Office of the CSE Commissioner (OCSEC) transferred to ICO; the unexpended appropriation of OCSEC was deemed to be the amount appropriated to ICO; and all rights, property and obligations of OCSEC transferred to ICO.

ICO is an independent oversight body. Under the IC Act, the IC is responsible for performing quasi-judicial reviews of the conclusions on the basis of which certain authorizations are issued or determinations are made under the *Communications Security Establishment Act* (CSE Act) and the *Canadian Security Intelligence Service Act* (CSIS Act).

In addition to the quasi-judicial review program, there is Internal Services. Internal services are those groups of related activities and resources considered to be services in support of the quasi-judicial review program to meet the corporate obligations of the organization.

Office of the Intelligence Commissioner
Notes to the Financial Statements (Unaudited)
As of March 31, 2020

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**
ICO is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to ICO 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.
- (b) **Net cash provided by Government**
ICO operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by ICO is deposited to the CRF and all cash disbursements made by ICO 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 and agencies of the Government.
- (c) **Amounts due from the CRF**
Amounts due from 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 ICO is entitled to draw from the CRF without further authorities to discharge its liabilities.
- (d) **Expenses**
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 another government department for employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.
- (e) **Employee future benefits**
 - i. **Pension Benefits** — Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. ICO's contributions to the Plan are charged to expenses in the year incurred and represent its total obligation to the Plan. ICO'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.

Office of the Intelligence Commissioner
Notes to the Financial Statements (Unaudited)
As of March 31, 2020

- ii. Severance Benefits — The accumulation of severance benefits for voluntary departures ceased for applicable employee groups.
- (f) Accounts and advances receivable
Accounts receivable are initially recorded at cost. When necessary, an allowance for valuation is recorded to reduce the carrying value of accounts receivable to amounts that approximate their net recoverable value.
- (g) Non-financial assets
The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described in Note 7. All tangible capital assets and leasehold improvements having an initial cost of \$3,000 or more are recorded at their acquisition cost. Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*, works of art, museum collection and Crown land to which no acquisition cost is attributable.
- (h) Measurement uncertainty
The preparation of these financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities and expenses reported in the financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are 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.

Office of the Intelligence Commissioner
Notes to the Financial Statements (Unaudited)
As of March 31, 2020

3. Parliamentary authorities

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

Net cost of operations before government funding and transfers	<u>\$1,835,174</u>
Adjustments for items affecting net cost of operations but not affecting authorities:	
Services provided without charge by an other government department	(91,999)
Amortization of tangible capital assets	<u>(75,259)</u>
Total items affecting net cost of operations but not affecting authorities	<u>(167,258)</u>
Current year authorities used	<u><u>\$1,667,916</u></u>

(b) Authorities provided and used
(in dollars)

Authorities provided	
Vote 1 - Operating expenditures	\$1,673,989
Statutory amounts	<u>142,414</u>
Total authorities provided	<u>1,816,403</u>
Less: lapsed operating expenditures	<u>(148,487)</u>
Current year authorities used	<u><u>\$1,667,916</u></u>

Office of the Intelligence Commissioner
Notes to the Financial Statements (Unaudited)
As of March 31, 2020

4. Accounts receivable and advances

The following table presents details of accounts receivable and advances balances:
(in dollars)

Receivables from other government departments and agencies	\$48,665
Petty cash advance	<u>300</u>
Total accounts receivable and advances	<u><u>\$48,965</u></u>

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are measured at cost, the majority of which are due within six months of year-end. The following table presents details of the ICO's accounts payable and accrued liabilities:
(in dollars)

Accounts payable – Other government departments and agencies	\$213,029
Accounts payable – External suppliers	<u>4,661</u>
Total accounts payable	217,690
Accrued liabilities	<u>204,216</u>
Total accounts payable and accrued liabilities	<u><u>\$421,906</u></u>

Office of the Intelligence Commissioner
Notes to the Financial Statements (Unaudited)
As of March 31, 2020

6. Employee future benefits

(a) Pension benefits

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

Both the employees and the ICO contribute to the cost of the Plan. Due to the amendment of the Public Service Superannuation Act following the implementation of provisions related to Canada's 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 2019–20 expense amounts to \$98,665. For Group 1 members, the expense represents approximately 1.01 times the employee contributions and, for Group 2 members, approximately 1.00 times the employee contributions.

ICO'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 ICO's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. All employees who transferred from OCSEC on July 12, 2019 had previously opted for full payment of benefits and there is no liability.

Office of the Intelligence Commissioner
Notes to the Financial Statements (Unaudited)
As of March 31, 2020

7. Tangible capital assets
(in dollars)

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

<u>Asset class</u>	<u>Amortization Period</u>
Other equipment including furniture	5 years
Informatics hardware	3 years
Leasehold improvements	remaining term of the lease

Cost

Capital Asset Class	Opening Balance	Acquisitions	Adjustments	Closing Balance
Other equipment including furniture	-	-	\$205,683	\$205,683
Informatics hardware	-	-	69,855	69,855
Leasehold improvements	-	-	890,312	890,312
Total	-	-	\$1,165,850	\$1,165,850

Accumulated Amortization

Capital Asset Class	Opening Balance	Amortization	Adjustments	Closing Balance
Other equipment including furniture	-	\$13,360	\$158,964	\$172,324
Informatics hardware	-	-	69,855	69,855
Leasehold improvements	-	61,899	578,090	639,989
Total	-	\$75,259	\$806,909	\$882,168

Net Book Value

Capital Asset Class	Closing Balance
Other equipment including furniture	\$33,359
Informatics hardware	-
Leasehold improvements	250,323
Total	<u>\$283,682</u>

Office of the Intelligence Commissioner
Notes to the Financial Statements (Unaudited)
As of March 31, 2020

8. Contractual obligations

The nature of ICO's activities can result in some large multi-year contracts and obligations whereby ICO will be obligated to make future payments when the goods and services are received. The most significant commitments relate to occupancy instruments signed in June 2018 and running for 10 years for the rental of office space. The obligations related to the upcoming years include the following:

(in dollars)

2021	\$293,943
2022	293,943
2023 and subsequent	<u>1,763,658</u>
Total future occupancy payments	<u>\$2,351,544</u>

9. Transfer from another government department

Effective July 12, 2019, with the coming into force of the *Intelligence Commissioner Act*, the assets and liabilities of OCSEC were transferred to ICO.

(in dollars)

Assets

Accounts receivable and advances	\$45,060
Prepaid expenses	7,151
Tangible capital assets	<u>358,941</u>
Total assets received	<u>411,152</u>

Liabilities

Accounts payable and accrued liabilities	197,362
Vacation pay and compensatory leave	<u>26,352</u>
Total liabilities received	<u>223,714</u>

Adjustment to the departmental net financial position	<u><u>\$187,438</u></u>
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Office of the Intelligence Commissioner
Notes to the Financial Statements (Unaudited)
As of March 31, 2020

10. Related party transactions

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

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

During the year, ICO received services without charge from a common service organization related to the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in ICO's Statement of Operations and Departmental Net Financial Position as follows:

(in dollars)

Employer's contribution to the health and dental insurance plans	<u>\$91,999</u>
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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 cost of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada are not included in the ICO's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with related parties

(in dollars)

Expenses – other government departments and agencies:	<u>\$604,540</u>
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Expenses disclosed in (b) exclude common services provided without charge, which are already disclosed in (a). Accounts receivable and accounts payable to other government departments and agencies are already disclosed in Notes 4 and 5 respectively.

Office of the Intelligence Commissioner
Notes to the Financial Statements (Unaudited)
As of March 31, 2020

11. Segmented information

Presentation by segment is based on the ICO's core responsibility. The presentation by segment is based on the same accounting policies as described in the summary of significant accounting policies in note 2. The following table presents the expenses incurred for the core responsibility, by major object of expense. The segment results for the period are as follows:

	Quasi-judicial Review Program	Internal Services (in dollars)	Total
Salaries and employee benefits	\$1,072,846	\$148,761	\$1,221,607
Professional services	123,432	121,855	245,287
Accommodation and other rentals	156,515	67,996	224,511
Amortization of tangible capital assets	-	75,259	75,259
Transportation and telecommunication	30,574	9,727	40,301
Office expenses and equipment	-	18,209	18,209
Communication, printing and publishing	7,010	2,990	10,000
Net cost of operations before government funding and transfers	\$1,390,377	\$444,797	\$1,835,174

12. Comparative information

Comparative figures are not presented as 2019–20 was ICO's first year of operations.

Office of the Intelligence Commissioner
Annex to the Statement of Management Responsibility Including Internal Control over
Financial Reporting
As of March 31, 2020

1. Introduction

In support of an effective system of internal control, the ICO periodically assesses the performance of its financial control framework to ensure:

- procurement processes are in accordance with the direction set out by the central agencies;
- payments for goods and services are made only when the goods or services are received or the conditions of contracts or other arrangements have been satisfied; and
- documentation supports financial decisions taken.

2. Assessment results during the period from July 12, 2019 to March 31, 2020

There were no systemic problems identified with the financial control framework.

3. Assessment plan

ICO will continue to review the system of internal control on an ongoing basis and make whatever adjustments may be required to either the system of control or the individual transaction.