

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 year ended March 31, 2024, 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 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 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 the 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. A risk-based assessment of the system of ICFR for the year ended March 31, 2024 was completed in accordance with the Treasury Board Policy on Financial Management and the results and action plans are summarized in the annex.

The financial statements of the ICO have not been audited.

The Honourable Simon Noël, K.C.
Intelligence Commissioner

Justin Dubois
Chief Financial Officer

Ottawa, Canada
August 20, 2024

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

	2024	2023
Liabilities		
Accounts payable and accrued liabilities (note 4)	\$286,401	\$339,822
Vacation pay and compensatory leave	56,109	88,562
Total liabilities	342,510	428,384
Financial assets		
Due from the Consolidated Revenue Fund	222,843	285,623
Accounts receivable (note 6)	64,094	26,791
Total financial assets	286,937	312,414
Departmental net debt	55,573	115,970
Non-financial assets		
Prepaid expenses	7,205	12,693
Tangible capital assets (note 7)	25,200	37,800
Total non-financial assets	32,405	50,493
Departmental net financial position	(\$23,168)	(\$65,477)

Contractual obligations (note 8)

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

The Honourable Simon Noël, K.C.
Intelligence Commissioner

Justin Dubois
Chief Financial Officer

Ottawa, Canada
August 20, 2024

Office of the Intelligence Commissioner
Statement of Operations and Departmental Net Financial Position (Unaudited)
For the Year Ended March 31
(in dollars)

	2024 Planned Results	2024	2023
Expenses			
Quasi-judicial review program	\$2,022,713	\$1,616,917	\$2,014,217
Internal services	665,897	675,884	721,132
Net cost of operations before government funding and transfers	<u>\$2,688,610</u>	2,292,801	2,735,349
Government funding and transfers			
Net cash provided by government		2,309,548	2,373,428
Services provided without charge by another government department (note 9)		88,342	104,313
Change in due from the Consolidated Revenue Fund		<u>(62,780)</u>	<u>84,000</u>
Net cost of operations after government funding and transfers		(42,309)	173,608
Departmental net financial position- Beginning of year		<u>(65,477)</u>	<u>108,131</u>
Departmental net financial position- End of year		<u>(\$23,168)</u>	<u>(\$65,477)</u>

Segmented information (note 10)

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 Year Ended March 31
(in dollars)

	2024	2023
Net cost of operations after government funding and transfers	(\$42,309)	\$173,608
Change due to amortization of tangible capital assets	(12,600)	(93,938)
Change due to prepaid expenses	(5,488)	9,948
(Net decrease) increase in departmental net debt	(60,397)	89,618
Departmental net debt – Beginning of year	115,970	26,352
Departmental net debt – End of year	<u>\$55,573</u>	<u>\$115,970</u>

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

Office of the Intelligence Commissioner
Statement of Cash Flows (Unaudited)
For the Year Ended March 31
(in dollars)

	<u>2024</u>	<u>2023</u>
Operating activities		
Net cost of operations before government funding and transfers	\$2,292,801	\$2,735,349
Non-cash items		
Services provided without charge by another government department (note 9)	(88,342)	(104,313)
Amortization of tangible capital assets	(12,600)	(93,938)
Variations in Statement of Financial Position		
Increase (decrease) in accounts receivable	37,303	(49,785)
(Decrease) increase in prepaid expenses	(5,488)	9,948
Decrease (increase) in accounts payable and accrued liabilities	53,421	(61,623)
Decrease (increase) in vacation pay and compensatory leave	32,453	(62,210)
	<u>2,309,548</u>	<u>2,373,428</u>
Cash used in operating activities	2,309,548	2,373,428
 Net cash provided by Government of Canada	 <u>\$2,309,548</u>	 <u>\$2,373,428</u>

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

Office of the Intelligence Commissioner

Notes to the Financial Statements (Unaudited)

1. Authority and objectives

The Office of the Intelligence Commissioner (ICO) is an independent oversight body. The mandate of the Intelligence Commissioner (IC) is set out in the *Intelligence Commissioner Act*. The IC's role is to approve, or not, certain national security and intelligence activities that the Communications Security Establishment (CSE) or the Canadian Security Intelligence Service (CSIS) wish to conduct. These activities may breach Canadian law or infringe on privacy interests of Canadians or persons in Canada. To conduct these activities, CSE and CSIS must first obtain the written authorization of their respective minister or, in selected cases, of the Director of CSIS. The IC then reviews the respective minister's or Director's authorization to determine whether the conclusions it contains are reasonable. Only with approval from the IC can the activities take place.

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.

2. Summary of significant accounting policies

These financial statements have been prepared using the ICO'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. The planned results amounts in the "Expenses" section of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2023–24 Departmental Plan. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2023–24 Departmental Plan.

(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 of the Government.

(c) Amounts due from or to the CRF

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 the 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 (the "Plan"), a multi-employer plan administered by the Government. The ICO's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental 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.

ii. Severance benefits

The accumulation of severance benefits for voluntary departures ceased for applicable employee groups.

(f) 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. The ICO recognizes a financial instrument when it becomes a party to a financial instrument contract.

Financial instruments consist of accounts and loans receivable, and accounts payable and accrued liabilities.

All financial assets and liabilities are recorded at cost or amortized cost. Any associated transaction costs are added to the carrying value upon initial recognition.

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, and intangible assets.

(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.

(i) Related party transactions

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

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)

	2024	2023
Net cost of operations before government funding and transfers	\$2,292,801	\$2,735,349
Adjustments for items affecting net cost of operations but not affecting authorities		
Services provided without charge by other government departments	(88,342)	(104,312)
Amortization of tangible capital assets	(12,600)	(93,938)
Increase in vacation pay	32,453	(62,210)
Prepaid expenses previously charged to the appropriation	(12,693)	(2,745)
Refund of prior years' expenditures	9,601	0
Total items affecting net cost of operations but not affecting authorities	(71,581)	(263,205)
Adjustments for items not affecting net cost of operations but affecting authorities		
Prepaid expenses	7,204	12,693
Current year authorities used	\$2,228,424	\$2,484,837

(b) Authorities provided and used (in dollars)

	2024	2023
Authorities provided:		
Vote 1 – Operating expenditures	\$2,546,535	\$2,544,555
Statutory amounts	143,231	173,961
Less:		
Lapsed: Operating	(461,342)	(233,679)
Current year authorities used	\$2,228,424	\$2,484,837

4. Accounts payable and accrued liabilities

The following table presents details of ICO's accounts payable and accrued liabilities:
(in dollars)

	2024	2023
Accounts payable – Other government departments and agencies	\$7,659	\$30,708
Accounts payable – External parties	18,750	53,331
Total accounts payable	26,409	84,039
Accrued liabilities	259,992	255,783
Total accounts payable and accrued liabilities	\$286,401	\$339,822

5. Employee future benefits

(a) Pension benefits

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

Both the employees and the 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 2023–24 expense amounts to \$84,307 (\$113,649 in 2022–23). For Group 1 members, the expense represents approximately 1.02 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. By March 31, 2020, all settlements for immediate cash out were completed.

6. Accounts receivable

The following table presents details of ICO's accounts receivable balances:
(in dollars)

	<u>2024</u>	<u>2023</u>
Total receivables – other government departments and agencies	<u>\$63,930</u>	<u>\$26,791</u>

7. Tangible capital assets

Amortization of tangible capital assets is done on a straight-line basis 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

(in dollars)

Capital Asset Class	Opening Balance	Acquisitions	Disposals	Closing Balance
Other equipment including furniture	\$205,683	\$0	\$0	\$205,683
Informatics hardware	132,855	0	0	132,855
Leasehold improvements	890,312	0	0	890,312
Total	<u>\$1,228,850</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,228,850</u>

Accumulated Amortization

Capital Asset Class	Opening Balance	Amortization	Disposals	Closing Balance
Other equipment including furniture	\$205,683	\$0	\$0	\$205,683
Informatics hardware	95,055	12,600	0	107,655
Leasehold improvements	890,312	0	0	890,312
Total	<u>\$1,191,050</u>	<u>\$12,600</u>	<u>\$0</u>	<u>\$1,203,650</u>

Net Book Value

Capital Asset Class	Opening Balance April 1, 2023	Closing Balance March 31, 2024
Other equipment including furniture	\$0	\$0
Informatics hardware	37,800	25,200
Leasehold improvements	0	0
Total	<u>\$37,800</u>	<u>\$25,200</u>

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)

2025	\$293,943
2026 and subsequent	<u>881,829</u>
Total future occupancy payments	<u><u>\$1,175,772</u></u>

9. 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)

	<u>2024</u>	<u>2023</u>
Employer's contribution to the health and dental insurance plans	<u>\$88,342</u>	<u>\$104,313</u>

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 other government departments and agencies

(in dollars)

	2024	2023
Expenses – other government departments and agencies	<u>\$1,095,693</u>	<u>\$1,327,043</u>

Expenses disclosed in (b) exclude common services provided without charge, which are already disclosed in (a). Accounts payable and accounts receivable to other government departments and agencies are already disclosed in Notes 4 and 6 respectively.

10. Segmented information

Presentation by segment is based on 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:

(in dollars)

	Quasi-judicial Review Program	Internal Services	Total 2024	Total 2023
Operating expenses				
Salaries and employee benefits	\$936,291	\$231,163	\$1,167,454	\$1,527,050
Professional services	404,331	219,905	624,236	616,532
Accommodation and other rentals	233,275	91,837	325,112	316,442
Repair and maintenance	0	118,729	118,729	91,522
Information, office expenses and expenses, travel, and communications	43,020	1,650	44,670	89,865
Amortization of tangible capital assets	0	12,600	12,600	93,938
Net cost of operations before government funding and transfers	<u>\$1,616,917</u>	<u>\$675,884</u>	<u>\$2,292,801</u>	<u>\$2,735,349</u>

11. Comparative information

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

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting for Fiscal Year 2023–24

A1. Introduction

In support of an effective system of internal control, the ICO conducted a self-assessment of the key control area that was identified to be assessed in the 2023–24 fiscal year. A summary of the assessment results and action plan is provided in Section 2.

A2. Assessment results for the 2023–24 fiscal year

The ICO completed the assessment of key control areas as indicated in the following table.

Key control areas	Remediation required	Summary results and action plan
Contracting	No	Internal controls are functioning as intended; no action plan required.
Payables at Year End	No	Internal controls are functioning as intended; no action plan required.

A3. Assessment plan

The ICO will continue to assess the performance of its system of internal control by focusing on key control areas as set out by the Office of the Comptroller General's mandatory core control self-assessment plan for micro-organizations on an annual basis as shown in the following table.

Assessment Plan			
Key control areas	2024-2025	2025-2026	2026-2027
Pay Administration	X		
Financial Management Governance	X		
Acquisition Cards		X	
Leave		X	
Travel			X
Hospitality			X