

# PRIVY COUNCIL OFFICE

## 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, 2020, and all information contained in these financial statements rests with the management of the Privy Council Office. 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 Privy Council Office's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in Privy Council Office'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 Privy Council Office 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, 2020 was completed in accordance with the Treasury Board *Policy on Financial Management* and the results and action plans are summarized in the Annex.

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

The financial statements of the Privy Council Office have not been audited.

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Ian Shugart  
Clerk of the Privy Council and Secretary to the Cabinet

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Matthew Shea  
Chief Financial Officer

Ottawa, Canada  
September 23, 2020



# PRIVY COUNCIL OFFICE

## Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)

2020

2019

### Liabilities

Accounts payable and accrued liabilities (note 4)

25,820

48,547

Vacation pay and compensatory leave

11,053

10,361

Employee future benefits (note 5b)

4,264

3,775

### Total liabilities

41,137

62,683

### Assets

#### Financial assets

Due from Consolidated Revenue Fund

21,203

45,098

Accounts receivable and advances (note 6)

7,377

5,727

#### Total net financial assets

28,580

50,825

### Departmental net debt

12,557

11,858

#### Non-financial assets

Prepaid expenses

1,212

949

Inventory (note 7)

344

167

Tangible capital assets (note 8)

21,371

18,740

#### Total non-financial assets

22,927

19,856

### Departmental net financial position

10,370

7,998

Contractual obligations (note 9)

Contingent liabilities (note 10)

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

Ian Shugart

Clerk of the Privy Council and Secretary to the Cabinet

Matthew Shea

Chief Financial Officer

Ottawa, Canada

September 23, 2020



# PRIVY COUNCIL OFFICE

## Statement of operations and departmental net financial position (Unaudited)

For the year ended March 31

(in thousands of dollars)		Planned Results 2020	2020	2019
<b>Expenses</b>				
Serve the Prime Minister and Cabinet		83,547	<b>93,057</b>	127,664
Internal Services		114,587	<b>111,074</b>	105,681
<b>Total Expenses</b>		198,134	<b>204,131</b>	233,345
<b>Revenues</b>				
Miscellaneous revenues		13	<b>15</b>	24
Internal services support		1,085	<b>2,094</b>	960
Revenues earned on behalf of Government		(3)	<b>(15)</b>	(10)
<b>Total Revenues</b>		1,095	<b>2,094</b>	974
<b>Net cost from continuing operations</b>		197,039	<b>202,037</b>	232,371
<b>Net cost of operations before government funding and transfers</b>		197,039	<b>202,037</b>	232,371
<b>Government funding and transfers</b>				
Net cash provided by Government of Canada			<b>204,764</b>	198,451
Change in due from Consolidated Revenue Fund			<b>(23 895)</b>	13,546
Services provided without charge by other government departments (note 11a)			<b>23,565</b>	22,741
Transfer of overpayments			<b>(24)</b>	(27)
Transfer of tangible capital assets (to) / from other government departments			<b>-</b>	32
<b>Net cost of operations after government funding and transfers</b>			<b>(2,373)</b>	(2,372)
Departmental net financial position - Beginning of year			<b>7,997</b>	5,625
<b>Departmental net financial position - End of year</b>			<b>10,370</b>	7,997

Segmented information (note 13)

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



# PRIVY COUNCIL OFFICE

## Statement of change in departmental net debt (Unaudited)

For the year ended March 31

(in thousands of dollars)	2020	2019
<b>Net cost of operations after government funding and transfers</b>	<b>(2,373)</b>	<b>(2,372)</b>
<b>Change due to tangible capital assets</b>		
Acquisition of tangible capital assets	5,024	5,688
Amortization of tangible capital assets	(2,399)	(1,857)
Proceeds from disposal of tangible capital assets	(6)	13
Net (loss) or gain on disposal of tangible capital assets including adjustments	11	3
Tangible capital asset adjustments	-	32
<b>Total change due to tangible capital assets</b>	<b>2,631</b>	<b>3,879</b>
<b>Change due to inventory</b>	<b>178</b>	<b>(104)</b>
<b>Change due to prepaid expenses</b>	<b>263</b>	<b>36</b>
<b>Net increase (decrease) in departmental net debt</b>	<b>699</b>	<b>1,439</b>
<b>Departmental net debt - Beginning of year</b>	<b>11,858</b>	<b>10,419</b>
<b>Departmental net debt - End of year</b>	<b>12,557</b>	<b>11,859</b>

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



# PRIVY COUNCIL OFFICE

## Statement of cash flow (Unaudited)

For the year ended March 31

(in thousands of dollars)

2020

2019

### Operating activities

Net cost of operations before government funding and transfers

202,037

232,371

#### Non-cash items:

Amortization of tangible capital assets

(2,399)

(1,857)

Gain (loss) on disposal of tangible capital assets

11

3

Services provided without charge by other government departments (note 11a)

(23,565)

(22,741)

Transfer of overpayments

24

27

#### Variations in Statement of Financial Position:

Increase (decrease) in accounts receivable and advances

1,650

(2,730)

Increase (decrease) in prepaid expenses

263

36

Increase (decrease) in inventory

178

(104)

Decrease (increase) in accounts payable and accrued liabilities

22,728

(11,233)

Decrease (increase) in vacation pay and compensatory leave

(692)

(1,778)

Decrease (increase) in future employee benefits

(489)

756

Cash used in operating activities

199,746

192,750

### Capital investing activities

Acquisitions of tangible capital assets (note 8)

5,024

5,688

Proceeds from disposal of tangible capital assets

(6)

13

Cash used in capital investing activities

5,018

5,701

Net cash provided by Government of Canada

204,764

198,451

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



# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

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### 1. Authority and objectives

Privy Council Office (PCO) is a division of the federal public administration as set out in column 1 of Schedule I.1 of the *Financial Administration Act* and reports to Parliament through the Prime Minister.

PCO reports directly to the Prime Minister and is led by the Clerk of the Privy Council and Secretary to the Cabinet. The Clerk is also the Head of the Public Service. The mandate of PCO is to serve Canada and Canadians by providing professional, non-partisan advice and support to the Prime Minister, and the ministers within the Prime Minister's portfolio and Cabinet. PCO supports the development of the Government of Canada's policy and legislative agendas, coordinates responses to issues facing the Government and the country, and supports the effective operation of Cabinet.

Commissions of inquiry established under the *Inquiries Act* are designated as departments under the *Financial Administration Act* and the Prime Minister is designated as the "appropriate Minister" under that same Act. PCO provides administrative and financial management support to commissions of inquiry. There was one active commission in 2019-20: National Inquiry into Missing and Murdered Indigenous Women and Girls.

To achieve its strategic outcome and deliver results for Canadians, PCO articulates its plans and priorities based on the core programs included below.

#### **Serve the Prime Minister and Cabinet**

To deliver analysis, advice and support to the Prime Minister and Ministers of the Portfolio including non-partisan advice and information from across the Public Service resulting from consultations and collaboration with international and domestic sources inside and outside government. To act as secretariat to the Cabinet and its committees including managing the Cabinet's decision-making system; coordinate departmental policy proposals to Cabinet; schedule and provide support services for meetings of Cabinet and Cabinet committees; advance the Government's agenda across federal departments and agencies; and provide administrative services to the Prime Minister's Office, Portfolio Ministers and to Commissions of Inquiry. To lead and renew the public service in order to advise the government; implement its agenda; and deliver services and results to Canadians.

#### **Internal Services**

Internal support services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

### 2. Summary of significant accounting policies

These financial statements are prepared using PCO'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**

PCO is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to PCO 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" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2019-2020 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 2019-2020 Departmental Plan.



# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

### 2. Summary of significant accounting policies (continued)

#### (b) Net cash provided by Government

PCO operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by PCO is deposited to the CRF, and all cash disbursements made by PCO 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 PCO is entitled to draw from the CRF without further authorities to discharge its liabilities.

#### (d) Revenues

- ✓ Revenues are recognized in the period in which the event that gave rise to the revenues occurred.
- ✓ Revenues that are non-respendable are not available to discharge the PCO's liabilities. While the Clerk of the Privy Council and Secretary to the Cabinet is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of PCO's gross revenues.

#### (e) Expenses

Expenses are recorded on an accrual basis:

- ✓ Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient.
- ✓ Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- ✓ Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans and workers' compensation are recorded as operating expenses at their carrying value.

#### (f) Employee future benefits

- ✓ **Pension benefits:** Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. PCO's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. PCO'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:** The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

#### (g) Accounts receivable

Accounts receivable are initially recorded at cost and when necessary, an allowance for valuation is recorded to reduce the carrying value of accounts receivable to amounts that approximate their net recoverable value.



# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

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### 2. Summary of significant accounting policies (continued)

#### (h) 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 8. All tangible capital assets having an initial cost of \$5,000 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.

Inventories are valued at cost and are comprised of spare parts and supplies held for future program delivery and are not primarily intended for resale. Inventories that no longer have service potential are valued at the lower of cost or net realizable value.

#### (i) Contingent liabilities

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

For guarantees, an allowance is recorded when it is determined that a loss is likely and the amount of the allowance is estimated taking into consideration the nature of the guarantee, loss experience and current conditions. The allowance is reviewed on an ongoing basis and changes in the allowance are recorded as expenses in the year they become known.

#### (j) 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, revenues and expenses reported in the financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are contingent liabilities, the liability for employee 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.



# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

### 3. Parliamentary authorities

PCO 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, PCO has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

#### (a) Reconciliation of net cost of operations to current year authorities used

(in thousands of dollars)	2020	2019
Net cost of operations before government funding and transfers	202,037	232,371
<b>Adjustments for items affecting net cost of operations but not affecting authorities:</b>		
Amortization of tangible capital assets	(2,399)	(1,857)
Gain (loss) on disposal of tangible capital assets	11	3
Services provided without charge by other government departments	(23,565)	(22,741)
Increase / (decrease) in vacation pay and compensatory leave	(692)	(1,779)
Increase / (decrease) in employee future benefits	(489)	755
Increase / (decrease) in accrued liabilities not charged to authorities	-	300
Refund of prior years' expenditures	4,433	516
Tangible capital asset adjustments	-	490
Other	18	19
<b>Total items affecting net cost of operations but not affecting authorities</b>	<b>(22,683)</b>	<b>(24,294)</b>

#### Adjustments for items not affecting net cost of operations but affecting authorities:

Acquisition of tangible capital assets	5,024	5,688
Increase / (decrease) in inventory	178	(104)
Increase / (decrease) in prepaid expenses	263	36
Accounts receivable and advances	531	579
<b>Total items not affecting net cost of operations but affecting authorities</b>	<b>5,996</b>	<b>6,199</b>
<b>Current year authorities used</b>	<b>185,350</b>	<b>214,275</b>

#### (b) Authorities provided and used

(in thousands of dollars)	2020	2019
<b>Authorities provided:</b>		
Vote 1 - Operating expenditures	176,769	217,382
Statutory amounts	16,879	16,612
<b>Less:</b>		
Authorities available for future years	-	(16)
Lapsed: Operating	(8,298)	(19,703)
<b>Current year authorities used</b>	<b>185,350</b>	<b>214,275</b>



# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

### 4. Accounts payable and accrued liabilities

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

(in thousands of dollars)	2020	2019
Accounts payable - Other government departments and agencies	6,425	9,382
Accounts payable - External parties	18,404	38,374
<b>Total accounts payable</b>	<b>24,829</b>	<b>47,756</b>
Other liabilities	991	791
<b>Total accounts payable and accrued liabilities</b>	<b>25,820</b>	<b>48,547</b>

### 5. Employee future benefits

#### (a) Pension benefits

PCO'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/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and employer contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups - Group 1 related 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 \$14,929,268 (\$14,714,661 in 2018-19). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2018-19) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2018-19) the employee contributions.

PCO's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Consolidated Financial Statements of the Government of Canada, as the Plan's sponsor.



# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

### 5. Employee future benefits (continued)

#### (b) Severance benefits

Severance benefits provided to PCO'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, 2018, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

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

(in thousands of dollars)	2020	2019
<b>Accrued benefit obligation - Beginning of year</b>	<b>3,775</b>	4,531
Expense for the year	766	(355)
Benefits paid during the year	(277)	(401)
<b>Accrued benefit obligation - End of year</b>	<b>4,264</b>	3,775

### 6. Accounts receivable and advances

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

(in thousands of dollars)	2020	2019
Receivables - Other government departments and agencies	5,474	3,996
Receivables - External parties	1,732	1,597
Employee advances	176	171
<b>Subtotal</b>	<b>7,382</b>	5,764
Allowance for doubtful accounts on receivables from external parties	5	37
<b>Net accounts receivable</b>	<b>7,377</b>	5,727

### 7. Inventory

The following table presents details of PCO's inventory, measured at cost using the specific identification method:

(in thousands of dollars)	2020	2019
Office equipment and furniture	345	167
<b>Total inventory</b>	<b>345</b>	167



# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

### 8. 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:

Asset class	Amortization Period
Machinery and equipment	5 to 15 years
Informatics hardware	3 to 5 years
Informatics software	3 to 5 years
Other equipment	10 to 15 years
Motor vehicles	3 to 10 years
Assets under construction	Once in service, in accordance with asset class

Assets under construction are recorded in the applicable asset class in the year they are put into service and are not amortized until they are put into service.

Cost						Accumulated Amortization					Net Book Value	
Capital Asset Class (in thousands of dollars)	Opening Balance	Acquisitions	Adjustments (1)	Disposals and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments (1)	Disposals and Write-Offs	Closing Balance	2020	2019
Machinery and equipment	60	-	-	-	60	55	3	-	-	58	2	5
Informatics hardware	4,738	259	-	-	4,997	4,026	283	-	-	4,309	688	712
Informatics software	13,772	-	-	-	13,772	10,117	1,045	-	-	11,162	2,610	3,655
Other equipment	14,113	30	-	-	14,143	6,714	985	-	-	7,699	6,444	7,399
Motor vehicles	606	49	-	156	499	383	83	(31)	132	303	196	223
Assets under construction - software	455	939	-	-	1,393	-	-	-	-	-	1,393	455
Assets under construction - other	6,291	3,747	-	-	10,038	-	-	-	-	-	10,038	6,291
	40,034	5,024	-	156	44,902	21,295	2,399	(31)	132	23,531	21,371	18,740

(1) Adjustments include assets under construction that were transferred to the other categories upon completion of the assets.



# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

### 9. Contractual obligations

The nature of PCO's activities may result in some large multi-year contracts and obligations whereby PCO will be obligated to make future payments in order to carry out its programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2021	2022	2023	2024	2025	2026 and subsequent	Total
Professional and special services	6,171	69	-	-	-	-	6,240
Information	2,621	67	-	-	-	-	2,688
Repair and maintenance	2,121	14	14	-	-	-	2,149
Rental	436	177	143	109	110	-	975
Transportation and communications	166	143	143	143	107	-	702
Acquisition of machinery and equipment	1,199	-	-	-	-	-	1,199
Utilities, materials and supplies	152	-	-	-	-	-	152
<b>Total</b>	<b>12,866</b>	<b>470</b>	<b>300</b>	<b>252</b>	<b>217</b>	<b>-</b>	<b>14,105</b>

### 10. Contingent liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown.

These claims include items with pleading amounts and other for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. PCO has not recorded an allowance for claims and litigations for the 2019-20 fiscal year.



# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

### 11. Related party transactions

PCO is related as a result of common ownership to all government departments, agencies, and Crown corporations. PCO enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, PCO has an agreement with the National Security Intelligence Review Agency and the National Security and Intelligence Committee of Parliamentarians for the provision of finance and administration services which is included in the revenues of section b) of this note. During the year, PCO received common services, which were obtained without charge from other government departments as disclosed below:

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

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

(in thousands of dollars)	2020	2019
Accommodation	13,016	10,145
Employer's contribution to the health and dental insurance plans	10,549	8,316
Worker's compensation	-	1
<b>Total</b>	<b>23,565</b>	<b>18,462</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 issuance services provided by Public Services and Procurement Canada are not included in PCO's Statement of Operations and Departmental Net Financial Position. The costs of information technology infrastructure services provided by Shared Services Canada, following the transfer of responsibilities in November 2011 are also not included in PCO's Statement of Operations and Departmental Net Financial Position.

#### b) Other transactions with other government departments and agencies

(in thousands of dollars)	2020	2019
Expenses	31,442	56,550
Revenues	2,002	75

### 12. Transfers from/to other government departments

Effective November 20, 2019, the PCO transferred responsibility for the Youth Secretariat and the LGBTQ2 Secretariat to the Department of Canadian Heritage in accordance with OIC 2019-1370.

During the transition period, PCO continued to administer the transferred activities on behalf of the Department of Canadian Heritage. The administered expenses amount to \$638,557 and are not recorded in these financial statements.



# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

### 13. Segmented information

Presentation by segment is based on PCO'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 and revenues generated for the main program alignments, by major object of expense and by major type of revenue. The segment results for the period are as follows:

	Serve the Prime Minister and Cabinet	Internal Services	2020	2019
(in thousands of dollars)				
<b>Expenses</b>				
Salaries and employee benefits	74,914	69,367	<b>144,281</b>	145,032
Professional and special services	3,934	16,631	<b>20,565</b>	33,777
Accommodation	397	13,016	<b>13,413</b>	13,216
Transportation and communications	2,184	2,983	<b>5,167</b>	8,347
Information	8,413	194	<b>8,607</b>	14,989
Acquisition of machinery and equipment	168	3,030	<b>3,198</b>	4,703
Repair and maintenance	10	3,918	<b>3,928</b>	3,624
Amortization of tangible capital assets	94	2,305	<b>2,399</b>	1,857
Rentals	184	2,065	<b>2,249</b>	1,931
Utilities, materials and supplies	315	814	<b>1,129</b>	1,123
Transfer payments	1,580	-	<b>1,580</b>	7,431
Other	864	(3,248)	<b>(2,384)</b>	(2,685)
<b>Total Expenses</b>	<b>93,057</b>	<b>111,075</b>	<b>204,132</b>	<b>233,345</b>
<b>Revenues</b>				
Miscellaneous	-	15	<b>15</b>	24
Internal support services	876	1,219	<b>2,095</b>	960
Revenues earned on behalf of Government	-	(15)	<b>(15)</b>	(10)
<b>Total Revenues</b>	<b>876</b>	<b>1,219</b>	<b>2,095</b>	<b>974</b>
<b>Net cost from continuing operations</b>	<b>92,181</b>	<b>109,856</b>	<b>202,037</b>	<b>232,371</b>



# PRIVY COUNCIL OFFICE

Annex to the Statement of management responsibility including internal control over financial reporting of the Privy Council Office for fiscal year 2019-20 (unaudited)

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## 1. Introduction

This document provides summary information on measures taken by the Privy Council Office (PCO) to maintain an effective system of internal control over financial reporting (ICFR) including information on internal control management, assessment results and related action plans.

Detailed information on PCO's authority, mandate, and programs can be found in its most recent Departmental Plan and Departmental Results Report:

<https://www.canada.ca/en/privy-council/corporate/transparency/planned-spending/departmental-plans/2020-2021.html>

<https://www.canada.ca/en/privy-council/services/reports/departmental-results/2018-2019.html>

## 2. Departmental system of internal control over financial reporting

### 2.1 Internal Control Management

PCO has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. This structure is formalized in the departmental Internal Control over Financial Reporting framework, approved by the Clerk of the Privy Council, and includes the following:

- Organizational accountability structures as they relate to internal control management to support sound financial management including roles and responsibilities for senior managers in their areas of responsibility for internal controls management
- Values and ethics framework
- On-going communication and training on statutory requirements, policies, and procedures for sound financial management and control
- Monitoring of, and regular updates on, internal control management, as well as the provision of related assessment results and action plans to departmental senior management and the Departmental Audit Committee (DAC)

The DAC is an independent and objective advisory committee to the Clerk. It is responsible for providing advice to the Clerk on the adequacy and functioning of PCO's risk management, control and governance frameworks and processes.

### 2.2 Service Arrangements relevant to financial statements

PCO relies on other government departments for the processing of certain transactions that are recorded in its financial statements as follows:

#### **Common Arrangements:**

- Public Services and Procurement Canada (PSPC) centrally administers the payments of salaries and the procurement of certain goods and services and provides accommodation services;
- On behalf of the employer, the Treasury Board Secretariat (TBS) provides PCO with information used to calculate various accruals and allowances, such as the accruals and allowances;
- The Department of Justice provides legal services to PCO; and,
- Shared Services Canada (SSC) provides IT infrastructure services to PCO in the areas of data centre and network services. SSC also provides the service for the acquisition and provision of hardware and software for workplace technology devices to PCO.

#### **Specific Arrangements:**

- TBS provides PCO with a SAP financial system platform to capture and report all financial transactions.



### 3. Departmental assessment results during fiscal year 2019-20

**New or significantly amended key controls** - As a result of the Covid-19 pandemic, select business processes were modified to enable them to remain operational and effective while key staff work remotely. Digital signatures were introduced consistent with the approach identified by the Office of the Comptroller General to enable financial and other authorizations to continue to operate efficiently and effectively at PCO. This impacted multiple processes relying on the use of signatures including expenditures, delegation of authority, and procurement. Year-end close processes were modified as needed due to the requirement for staff to work remotely, however the impacts were not significant. Changes to the resulting redesigned processes have been documented.

**On-going monitoring program** - As part of its rotational on-going monitoring plan, PCO completed the assessment or reassessment of controls for the key processes included in section 4.1 below. For the most part, the key controls that were tested performed as intended with remediation required to improve processes related to the timely deactivation of delegated authorities following employee departure, improving documentation and verification practices to ensure files are complete, auditable and contain all required supporting documents, and ensuring evidence is available to demonstrate the completion of some key control activities. Management action plans have been developed to address these findings.

PCO also completed a risk assessment in fiscal 2019-20 using an environmental scan and interviews with key stakeholders. This risk assessment resulted in certain business sub-processes (see section 4.2) being combined to achieve a more effective and efficient future-year approach to ICFR monitoring.

In light of impacts to business processes resulting from Covid-19, PCO subsequently re-evaluated the ICFR risks in line with the guidance issued by the Office of the Comptroller General. The results of the risk assessment were used to update PCO's risk-based ongoing monitoring plan (see section 4.2).

### 4. Departmental action plan

#### 4.1 Progress during fiscal year 2019-20

PCO conducted its on-going monitoring according to the previous fiscal year's rotational plan as follows:

Previous year's rotational on-going monitoring plan for current year	Status
• Travel Expenses	Completed. Remediation actions are planned.
• Payroll	Monitoring of pre-payment processes completed. Remediation actions are planned.
• Financial Delegation	Completed. Remediation actions are planned.
• Accounts Receivable and Deposits	Completed. Remedial actions are complete.
• Other Operating Expenditures	Not applicable in 2019-20 as transactions were immaterial. Combined with Operating Expenses and Procurement for future review.
• Departmental Net Asset (Liabilities)	Not applicable in 2019-20 as this was determined to be encompassed with Financial Close and Reporting for future review.



## 4.2 Departmental action plan for the next fiscal year and subsequent years

PCO's rotational ongoing monitoring plan for the next three years, presented in the table below, is based on its annual risk assessment:

<b>Rotational On-going Monitoring Plan for Internal Control over Financial Reporting</b>			
<b>Key Control Areas</b>	<b>Operating Effectiveness Testing Rotation</b>		
	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2021-22</b>	<b>Fiscal Year 2022-23</b>
Entity Level Controls			X
Information Technology General Controls	X		
Capital Assets and Inventory	X		
Payroll			X
Operating Expenses and Procurement (Note 1)		X	
Delegation of Authority		X	
Liabilities		X	
Accounts Receivable, Revenue, Cash and Deposits			X
Financial Close and Reporting (Note 2)	X		

Note 1: Includes multiple sub processes that were previously shown separately which are events, acquisition cards, hospitality, vendor creation, travel, specified purpose accounts, vendor creation, operating expenditures, and other operating expenditures.

Note 2: Includes Payable at year-end (PAYE) which was previously identified separately.