

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, 2021, 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, 2021 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.

Janice Charette
Interim Clerk of the Privy Council and Secretary to the Cabinet

Matthew Shea
Chief Financial Officer

Ottawa, Canada
August 13, 2021

PRIVY COUNCIL OFFICE

Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)

2021

2020

Liabilities

Accounts payable and accrued liabilities (note 4)	28,016	25,820
Vacation pay and compensatory leave	14,392	11,053
Employee future benefits (note 5b)	4,364	4,264

Total liabilities	46,772	41,137
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Assets

Financial assets

Due from Consolidated Revenue Fund	26,033	21,203
Accounts receivable and advances (note 6)	4,827	7,377

Total net financial assets	30,860	28,580
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Departmental net debt	15,912	12,557
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Non-financial assets

Prepaid expenses	1,692	1,212
Inventory (note 7)	428	344
Tangible capital assets (note 8)	28,016	21,371

Total non-financial assets	30,136	22,927
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Departmental net financial position	14,224	10,370
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Contractual obligations (note 9)

Contingent liabilities (note 10)

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

Janice Charette
Interim Clerk of the Privy Council and Secretary to the Cabinet

Matthew Shea
Chief Financial Officer

Ottawa, Canada
August 13, 2021

PRIVY COUNCIL OFFICE

Statement of Operations and Departmental Net Financial Position (Unaudited)

For the Year Ended March 31

(in thousands of dollars)		Planned Results 2021	2021	2020
Expenses				
Serve the Prime Minister and Cabinet		88,604	99,778	93,057
Internal Services		99,519	125,123	111,074
Total Expenses		188,123	224,901	204,131
Revenues				
Miscellaneous revenues		24	36	15
Internal services support		1,023	1,396	2,094
Revenues earned on behalf of Government		(13)	(36)	(15)
Total Revenues		1,034	1,396	2,094
Net cost from continuing operations		187,089	223,505	202,037
Net cost of operations before government funding and transfers		187,089	223,505	202,037
Government funding and transfers				
Net cash provided by Government of Canada			195,646	204,764
Change in due from Consolidated Revenue Fund			4,830	(23,895)
Services provided without charge by other government departments (note 11a)			27,043	23,565
Transfer of overpayments			(160)	(24)
Net cost of operations after government funding and transfers			(3,854)	(2,373)
Departmental net financial position - Beginning of year			10,370	7,997
Departmental net financial position - End of year			14,224	10,370

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)	2021	2020
Net cost of operations after government funding and transfers	(3,854)	(2,373)
Change due to tangible capital assets		
Acquisition of tangible capital assets	9,993	5,024
Amortization of tangible capital assets	(3,352)	(2,399)
Proceeds from disposal of tangible capital assets	(15)	(6)
Net (loss) or gain on disposal of tangible capital assets including adjustments	19	11
Total change due to tangible capital assets	6,645	2,631
Change due to inventory	84	178
Change due to prepaid expenses	480	263
Net increase (decrease) in departmental net debt	3,355	699
Departmental net debt - Beginning of year	12,557	11,858
Departmental net debt - End of year	15,912	12,557

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)

2021

2020

Operating activities

Net cost of operations before government funding and transfers

223,505

202,037

Non-cash items:

Amortization of tangible capital assets

(3,352)

(2,399)

Gain (loss) on disposal of tangible capital assets

19

11

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

(27,043)

(23,565)

Transfer of overpayments

160

24

Variations in Statement of Financial Position:

Increase (decrease) in accounts receivable and advances

(2,550)

1,650

Increase (decrease) in prepaid expenses

480

263

Increase (decrease) in inventory

84

178

Decrease (increase) in accounts payable and accrued liabilities

(2,196)

22,728

Decrease (increase) in vacation pay and compensatory leave

(3,339)

(692)

Decrease (increase) in future employee benefits

(100)

(489)

Cash used in operating activities

185,668

199,746

Capital investing activities

Acquisitions of tangible capital assets (note 8)

9,993

5,024

Proceeds from disposal of tangible capital assets

(15)

(6)

Cash used in capital investing activities

9,978

5,018

Net cash provided by Government of Canada

195,646

204,764

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

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 headed 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 2020-2021: Joint Public Inquiry into the Nova Scotia April 2020 Tragedy.

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 2020-2021 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 2020-2021 Departmental Plan.

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

- ✓ 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.

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.

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)	2021	2020
Net cost of operations before government funding and transfers	223,505	202,037
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(3,352)	(2,399)
Gain on disposal of tangible capital assets	19	11
Services provided without charge by other government departments	(27,043)	(23,565)
(Increase) in vacation pay and compensatory leave	(3,339)	(692)
(Increase) in employee future benefits	(100)	(489)
Refund of prior years' expenditures	1,869	4,433
Tangible capital asset adjustments	(128)	-
Other	(40)	18
Total items affecting net cost of operations but not affecting authorities	(32,114)	(22,683)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	9,993	5,024
Increase / (decrease) in inventory	84	178
Increase / (decrease) in prepaid expenses	480	263
Accounts receivable and advances	345	531
Total items not affecting net cost of operations but affecting authorities	10,902	5,996
Current year authorities used	202,293	185,350

(b) Authorities provided and used

(in thousands of dollars)	2021	2020
Authorities provided:		
Vote 1 - Program expenditures	183,475	176,769
Statutory amounts	19,336	16,879
Less:		
Authorities available for future years	(21)	-
Lapsed: Operating	(497)	(8,298)
Current year authorities used	202,293	185,350

4. Accounts payable and accrued liabilities

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

(in thousands of dollars)	2021	2020
Accounts payable - Other government departments and agencies	8,356	6,425
Accounts payable - External parties	18,738	18,404
Total accounts payable	27,094	24,829
Other liabilities	922	991
Total accounts payable and accrued liabilities	28,016	25,820

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 2020-2021 expense amounts to \$17,187,473 (\$14,929,268 in 2019-2020). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2019-2020) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2019-2020) 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)	2021	2020
Accrued benefit obligation - Beginning of year	4,264	3,775
Expense for the year	803	766
Benefits paid during the year	(703)	(277)
Accrued benefit obligation - End of year	4,364	4,264

6. Accounts receivable and advances

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

(in thousands of dollars)	2021	2020
Receivables - Other government departments and agencies	1,977	5,474
Receivables - External parties	2,673	1,732
Employee advances	201	176
Subtotal	4,851	7,382
Allowance for doubtful accounts on receivables from external parties	24	5
Net accounts receivable	4,827	7,377

7. Inventory

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

(in thousands of dollars)	2021	2020
Office equipment and furniture	428	345
Total inventory	428	345

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	3 to 30 years
Informatics hardware	3 to 10 years
Informatics software	2 to 10 years
Other equipment	3 to 30 years
Motor vehicles	2 to 35 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.

Capital Asset Class (in thousands of dollars)	Cost					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions	Adjustments (1)	Disposals and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments (1)	Disposals and Write-Offs	Closing Balance	2021	2020
Machinery and equipment	60	-	-	-	60	58	2	-	-	60	-	2
Informatics hardware	4,997	3,459	128	133	8,451	4,309	507	96	133	4,779	3,672	688
Informatics software	13,772	38	-	-	13,810	11,162	876	-	-	12,038	1,772	2,610
Other equipment	14,143	3,242	8,929	224	26,090	7,699	1,895	-	180	9,414	16,676	6,444
Motor vehicles	499	212	(2)	35	674	303	72	(18)	35	322	352	196
Assets under construction - software	1,393	1,617	-	-	3,010	-	-	-	-	-	3,010	1,393
Assets under construction - other	10,038	1,425	(8,929)	-	2,534	-	-	-	-	-	2,534	10,038
	44,902	9,993	126	392	54,629	23,531	3,352	78	348	26,613	28,016	21,371

(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)	2022	2023	2024	2025	2026	2027 and subsequent	Total
Professional and special services	5,932	4,851	1,714	1,646	990	-	15,133
Repair and maintenance	1,733	-	-	-	-	-	1,733
Acquisition of machinery and equipment	972	1,115	1,115	-	-	-	3,202
Total	8,637	5,966	2,829	1,646	990	-	20,068

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 2020-21 fiscal year.

11. Related party transactions

PCO is related as a result of common ownership to all government departments, agencies, and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual. 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 and Intelligence Review Agency, the National Security and Intelligence Committee of Parliamentarians and with the Leaders' Debate Commission 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, legal services 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)	2021	2020
Accommodation	14,633	13,016
Employer's contribution to the health and dental insurance plans	11,052	10,549
Legal services	1,357	-
Worker's compensation	1	-
Total	27,043	23,565

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)	2021	2020
Expenses	40,319	31,442
Revenues	1,302	2,002

Expenses and revenues disclosed in (b) exclude common services provided without charge, which are already disclosed in (a).

12. Transfers from/to other government departments

Effective June 29, 2020, the Department of Public Works and Government Services (PWGSC) transferred the control and supervision for the Minister's Regional Office Program to the Privy Council Office (PCO) in accordance with Order in Council (PC Number 2020-0525).

During the transition period, PWGSC continued to incur operating expenditures on behalf of PCO. Expenditures incurred by PWGSC, which amount to \$627,222, were subsequently transferred to PCO and are included 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 Departmental Results Framework. 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:

(in thousands of dollars)	Serve the Prime Minister and Cabinet	Internal Services	2021	2020
Expenses				
Salaries and employee benefits	87,781	72,220	160,001	144,281
Professional and special services	2,987	18,399	21,386	20,565
Accommodation	151	15,414	15,565	13,413
Transportation and communications	485	1,111	1,596	5,167
Information	4,237	369	4,606	8,607
Acquisition of machinery and equipment	87	7,896	7,983	3,198
Repair and maintenance	98	3,546	3,644	3,928
Amortization of tangible capital assets	88	3,264	3,352	2,399
Rentals	568	4,147	4,715	2,249
Utilities, materials and supplies	84	594	678	1,129
Transfer payments	(24)	-	(24)	1,580
Other	3,236	(1,837)	1,399	(2,384)
Total Expenses	99,778	125,123	224,901	204,132
Revenues				
Miscellaneous	-	36	36	15
Internal support services	551	845	1,396	2,095
Revenues earned on behalf of Government	-	(36)	(36)	(15)
Total Revenues	551	845	1,396	2,095
Net cost from continuing operations	99,227	124,278	223,505	202,037

PRIVY COUNCIL OFFICE

Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting of the Privy Council Office for Fiscal Year 2020-2021 (unaudited)

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/2021-2022.html>

<https://www.canada.ca/en/privy-council/corporate/transparency/reporting-spending/departmental-results-reports/2019-2020.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, 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
- The Department of Justice provides legal services to PCO
- 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 2020-2021

The following table summarizes the status of the ongoing monitoring activities according to the previous fiscal year's rotational plan.

Progress during the 2020-2021 fiscal year

Previous year's rotational on-going monitoring plan for current year	Status
Capital Assets and Inventory	Completed as planned. Remediation actions started.
Financial Close and Reporting	Completed as planned. Remediation actions started.
Information Technology General Controls	Completed as planned. Remediation actions started.

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 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 expenses and procurement, delegation of authority, financial close and reporting, and capital assets and inventory. Changes to the resulting redesigned processes have been documented and are in the process of being assessed.

For the remaining business processes, there were no new or significantly amended key controls.

On-going monitoring program - As part of its rotational ongoing monitoring plan, the department completed its reassessment of entity-level controls and the financial controls within the business processes of:

- Capital Assets and Inventory
- Financial Close and Reporting
- Information Technology General Controls

Based on the monitoring procedures performed, key controls were operating as intended with opportunities for improvement identified to ensure that authorized forms of signature approvals are used and accepted, processes along with roles and responsibilities are documented and formalized, and evidence is available to demonstrate the completion of some key control activities. Management action plans have been developed to address these findings.

In light of impacts to business processes resulting from Covid-19, in 2020-2021 PCO 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).

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

PCO's rotational ongoing monitoring plan over the next 3 fiscal years is shown in the following table. The ongoing monitoring plan is based on:

- an annual validation of high-risk processes and controls
- related adjustments to the ongoing monitoring plan as required

Rotational On-going Monitoring Plan for Internal Control over Financial Reporting			
Key Control Areas	Operating Effectiveness Testing Rotation		
	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24
Entity Level Controls		X	
Information Technology General Controls ¹			X
Capital Assets and Inventory			X
Payroll		X	
Operating Expenses and Procurement	X		
Delegation of Authority	X		
Liabilities	X		
Accounts Receivable, Revenue, Cash and Deposits			X
Financial Close and Reporting		X	
1. ITGCs related to Central Agency Cluster Shared Systems (CAC-SS) are out of scope for the Secretariat's ongoing monitoring plan. The SAP system is audited annually by the Office of the Comptroller General based on client needs and service arrangements.			