

# 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, 2023, 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 the Privy Council Office's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the 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, 2023 was completed in accordance with the Treasury Board Policy on Financial Management and the results and action plans are summarized in the annex.

The Privy Council Office's system of internal control is reviewed 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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John Hannaford  
Clerk of the Privy Council and Secretary to the  
Cabinet  
Ottawa, Canada  
September 14, 2023

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Matthew Shea,  
Chief Financial Officer

# PRIVY COUNCIL OFFICE

## Statement of Financial Position (*Unaudited*)

**As at March 31**

(in thousands of dollars)

	2023	2022
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	27,121	24,257
Vacation pay and compensatory leave	14,785	14,322
Employee future benefits (Note 5b)	3,559	3,930
<b>Total liabilities</b>	<b>45,465</b>	<b>42,509</b>
<b>Assets</b>		
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	22,758	17,181
Accounts receivable and advances (Note 6)	7,471	9,568
<b>Total net financial assets</b>	<b>30,229</b>	<b>26,749</b>
<b>Departmental net debt</b>	<b>15,236</b>	<b>15,760</b>
<b>Non-financial assets</b>		
Prepaid expenses	994	1,134
Inventory (note 8)	278	279
Tangible capital assets (Note 9)	31,044	33,736
<b>Total non-financial assets</b>	<b>32,316</b>	<b>35,149</b>
<b>Departmental net financial position</b>	<b>17,080</b>	<b>19,389</b>
Contractual obligations (Note 10)		

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

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John Hannaford  
Clerk of the Privy Council and Secretary to the  
Cabinet  
Ottawa, Canada  
September 14, 2023

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Matthew Shea,  
Chief Financial Officer

# PRIVY COUNCIL OFFICE

## Statement of Operations and Departmental Net Financial Position *(Unaudited)* For the Year Ended March 31

*(in thousands of dollars)*

	<b>2023</b>	<b>2023</b>	<b>2022</b>
	Planned Results	Actual	Actual
<b>Expenses</b>			
Serve the Prime Minister and Cabinet	106,654	132,543	103,746
Internal Services	110,008	152,184	128,622
<b>Total Expenses</b>	<b>216,662</b>	<b>284,727</b>	<b>232,368</b>
<b>Revenues</b>			
Miscellaneous revenues	25	797	759
Internal services support	5,444	6,588	6,217
Revenues earned on behalf of Government	(25)	(18)	(21)
<b>Total Revenues</b>	<b>5,444</b>	<b>7,367</b>	<b>6,955</b>
<b>Net cost from continuing operations</b>	<b>211,218</b>	<b>277,360</b>	<b>225,413</b>
<b>Net cost of operations before government funding and transfers</b>	<b>211,218</b>	<b>277,360</b>	<b>225,413</b>
<b>Government funding and transfers</b>			
Net cash provided by Government of Canada		237,502	210,137
Change in due from Consolidated Revenue Fund		5,577	(8,852)
Services provided without charge by other government departments (Note 11a)		32,075	29,411
Transfer of overpayments		(103)	(118)
<b>Net cost of operations after government funding and transfers</b>		<b>2,309</b>	<b>(5,165)</b>
<b>Departmental net financial position – Beginning of year</b>		<b>19,389</b>	<b>14,224</b>
<b>Departmental net financial position – End of year</b>		<b>17,080</b>	<b>19,389</b>

Segmented information (note 12)

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)

	<b>2023</b>	<b>2022</b>
	Actual	Actual
<b>Net cost of operations after government funding and transfers</b>	<b>2,309</b>	<b>(5,165)</b>
<b>Change due to tangible capital assets</b>		
Acquisition of tangible capital assets	2,550	9,466
Amortization of tangible capital assets	(5,218)	(3,753)
Proceeds from disposal of tangible capital assets	(10)	(3)
Net (loss) or gain on disposal of tangible capital assets including adjustments	9	10
Transfer to other government departments	(23)	-
<b>Total change due to tangible capital assets</b>	<b>(2,692)</b>	<b>5,720</b>
<b>Change due to inventory</b>	<b>(1)</b>	<b>(149)</b>
<b>Change due to prepaid expenses</b>	<b>(140)</b>	<b>(558)</b>
<b>Net increase (decrease) in departmental net debt</b>	<b>(524)</b>	<b>(152)</b>
<b>Departmental net debt - Beginning of year</b>	<b>15,760</b>	<b>15,912</b>
<b>Departmental net debt - End of year</b>	<b>15,236</b>	<b>15,760</b>

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

# PRIVY COUNCIL OFFICE

## Statement of Cash Flows (*Unaudited*)

### For the Year Ended March 31

(in thousands of dollars)

	2023	2022
<b>Operating activities</b>		
Net cost of operations before government funding and transfers	277,360	225,413
Non-cash items:		
Amortization of tangible capital assets	(5,218)	(3,753)
Gain (loss) on disposal of tangible capital assets	9	10
Services provided without charge by other government departments (Note 11a)	(32,075)	(29,411)
Transfer of overpayments	103	118
Transfer to other government departments	(23)	-
Variations in Statement of Financial Position:		
Increase / (decrease) in accounts receivable and advances	(2,097)	4,741
Increase / (decrease) in prepaid expenses	(140)	(558)
Increase / (decrease) in inventory	(1)	(149)
Decrease / (increase) in accounts payable and accrued liabilities	(2,864)	3,759
Decrease / (increase) in vacation pay and compensatory leave	(463)	70
Decrease / (increase) in future employee benefits	371	434
<b>Cash used in operating activities</b>	<b>234,962</b>	<b>200,674</b>
<b>Capital investing activities</b>		
Acquisition of tangible capital assets (Note 9)	2,550	9,466
Proceeds from disposal of tangible capital assets	(10)	(3)
<b>Cash used in investing activities</b>	<b>2,540</b>	<b>9,463</b>
<b>Net cash provided by Government of Canada</b>	<b>237,502</b>	<b>210,137</b>

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, the Deputy Prime Minister and Minister of Finance, portfolio ministers, Cabinet, and Cabinet committees by ensuring that the Cabinet decision-making runs smoothly to help implement the Government's agenda and by fostering and effective, inclusive and innovative Public Service.

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 are two active commissions in 2022-23: Joint Public Inquiry into the Nova Scotia April 2020 Tragedy and the Public Inquiry into the 2022 Public Order Emergency.

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, the Deputy 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, the Deputy Prime Minister's Office, Portfolio Ministers, and Commissions of Inquiry. To lead and renew the Public Service in order to advise the government in implement its agenda, foster healthy workplaces that promote diversity and inclusion, and deliver services and results to Canadians.

#### Internal Services

Internal Services are the services that are provided within a department so that it can meet its corporate obligations and deliver its programs. There are 10 categories of internal services:

- |                                       |                                     |
|---------------------------------------|-------------------------------------|
| - management and oversight services   | - information management services   |
| - communications services             | - information technology services   |
| - legal services                      | - real property management services |
| - human resources management services | - material management services      |
| - financial management services       | - acquisition management services   |

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited) For the Year Ended March 31

### 2. Summary of significant accounting policies

These financial statements are prepared using the department'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

The Privy Council Office is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Privy Council Office 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 amount 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 2022-2023 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 2022-2023 Departmental Plan.

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

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

#### (d) Revenues

Revenues from regulatory fees are recognized based on the services provided in the year. Revenues that are non-respendable are not available to discharge the Department's liabilities. While the Clerk of the Privy Council Office 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 the entity's gross revenues.

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited) For the Year Ended March 31

### (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, legal services 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. The Privy Council Office's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The Privy Council Office'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) 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 Privy Council Office recognizes a financial instrument when it becomes a party to a financial instrument contract.

Financial instruments consist of accounts 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 and, where necessary, an allowance for valuation is recorded to reduce the carrying value of accounts receivable to amounts that approximate their net recoverable value.

### (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 9. All tangible capital assets and leasehold improvements 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.



# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements (Unaudited) For the Year Ended March 31

### (i) 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.

### (j) Related party transactions

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

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i. Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.
- ii. Certain services received on a without charge basis are recorded for departmental financial statement purposes at the carrying amount.

# PRIVY COUNCIL OFFICE

## Notes to the Financial Statements *(Unaudited)* For the Year Ended March 31

### 3. Parliamentary authorities

The Privy Council Office 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, the Privy Council Office 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)*

	2023	2022
Net cost of operations before government funding and transfers	227,360	225,413
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(5,218)	(3,753)
Gain (loss) on disposal of tangible capital assets	9	10
Services provided without charge by other government departments	(32,075)	(29,411)
Decrease / (increase) in vacation pay and compensatory leave	(463)	70
Decrease / (increase) in employee future benefits	371	434
Bad debt expense	-	(25)
Refund of prior years' expenditures	366	1,832
Other	-	(15)
Total items affecting net cost of operations but not affecting authorities	(37,010)	(30,858)
Adjustments for items not affecting net cost of operations but affecting authorities		
Acquisition of tangible capital assets	2,550	9,466
Proceeds from disposal of tangible capital assets	(10)	-
(Gain) loss on foreign exchange	(4)	(3)
Increase / (decrease) in inventory	(1)	(149)
Increase / (decrease) in prepaid expenses	(140)	(558)
Accounts receivable and advances	192	304
Total items not affecting net cost of operations but affecting authorities	2,587	9,060
<b>Current year authorities used</b>	<b>242,937</b>	<b>203,615</b>

# PRIVY COUNCIL OFFICE

(b) Authorities provided and used (in thousands of dollars)		
	2023	2022
<b>Authorities provided:</b>		
Vote 1 – Operating expenditures	227,866	197,492
Statutory amounts	21,720	19,566
<b>Less:</b>		
Authorities available for future years	(14)	-
Lapsed: Operating	(6,635)	(13,443)
<b>Current year authorities used</b>	<b>242,937</b>	<b>203,615</b>

## 4. Accounts payable and accrued liabilities

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

(in thousands of dollars)	2023	2022
Accounts payable - Other government departments and agencies	3,176	3,228
Accounts payable - External parties	23,228	19,848
Total account payable	26,404	23,076
Accrued liabilities	717	1,181
<b>Total accounts payable and accrued liabilities</b>	<b>27,121</b>	<b>24,257</b>

## 5. Employee future benefits

### a) Pension benefits

The Privy Council Office'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 2022-23 expense amounts to \$19,336,810 (\$17,387,706 in 2021-22). For Group 1 members, the expense represents approximately 1.02 times (1.01 times in 2021-22) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2021-22) the employee contributions.

The Privy Council Office'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

## 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, 2023, 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:

<i>(in thousands of dollars)</i>	2023	2022
<b>Accrued benefit obligation - Beginning of year</b>	<b>3,930</b>	<b>4,364</b>
Expense for the year	1,606	1,475
Benefits paid during the year	(1,977)	(1,909)
<b>Accrued benefit obligation - End of year</b>	<b>3,559</b>	<b>3,930</b>

# PRIVY COUNCIL OFFICE

## 6. Accounts receivable and advances

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

<i>(in thousands of dollars)</i>	<b>2023</b>	<b>2022</b>
Receivables - Other government departments and agencies	3,385	2,499
Receivables - External parties	3,903	6,901
Employee advances	232	217
Subtotal	7,520	9,617
Allowance for doubtful accounts on receivables from external parties	(49)	(49)
<b>Net accounts receivable</b>	<b>7,471</b>	<b>9,568</b>

The following table provides an aging analysis of accounts receivable from external parties and the associated valuation allowances used to reflect their net recoverable value.

<i>(in thousands of dollars)</i>	<b>2023</b>	<b>2022</b>
Accounts receivable from external parties		
Not past due	1,916	6,815
Number of days past due		
1 to 30	1,585	32
31 to 60	77	1
61 to 90	3	-
91 to 365	258	1
Over 365	64	52
Sub-Total	3,903	6,901
Less: Valuation allowance	(49)	(49)
<b>Total</b>	<b>3,854</b>	<b>6,852</b>

# PRIVY COUNCIL OFFICE

## 7. Risk Management

The Privy Council Office has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

### (a) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss.

PCO's maximum exposure to credit risk at March 31, 2022 and March 31, 2023 is the carrying amount of its financial assets.

PCO has determined that there is no significant concentration of credit risk related to accounts receivable from external parties. An analysis of the age of these financial assets and the associated valuation allowances used to reflect these accounts at their net recoverable value is disclosed in Note 6.

### (b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

#### i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates.

PCO has determined that there is no significant concentration of currency risk related to foreign denominated financial instruments.

### (c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities.

As the funding for PCO's financial liabilities is drawn from the Consolidated Revenue Fund, its exposure to liquidity risk is fully mitigated.

## 8. Inventory

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

*(in thousands of dollars)*

	<b>2023</b>	<b>2022</b>
Office equipment and furniture	278	279
<b>Total inventory</b>	<b>278</b>	<b>279</b>

**PRIVY COUNCIL OFFICE**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**9. Tangible capital asset**

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
Leasehold improvements	Over the useful life of the improvement or the lease term, whichever is shorter
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.

# PRIVY COUNCIL OFFICE

Capital Asset Class	Cost					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions	Adjustments (1)	Disposal and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments (1)	Disposals and Write-Offs	Closing Balance	2023	2022
	(in thousands of dollars)											
Machinery and equipment	60	-	-	-	60	60	-	-	-	60	-	-
Informatics hardware	6,242	916	(103)	72	6,983	5,210	427	(80)	72	5,485	1,498	1,032
Informatics software	16,546	-	-	-	16,546	12,899	1,036	-	-	13,935	2,611	3,647
Other equipment	20,836	1,265	-	24	22,077	10,138	2,728	-	23	12,843	9,234	10,698
Motor vehicles	642	94	26	31	731	390	118	26	31	503	228	252
Leasehold improvements	16,991	-	-	-	16,991	1,571	909	-	-	2,480	14,511	15,420
Assets under construction - software	2,646	160	-	-	2,806	-	-	-	-	-	2,806	2,646
Assets under construction - other	41	115	-	-	156	-	-	-	-	-	156	41
<b>Total</b>	<b>64,004</b>	<b>2,550</b>	<b>(77)</b>	<b>127</b>	<b>66,350</b>	<b>30,268</b>	<b>5,218</b>	<b>(54)</b>	<b>126</b>	<b>35,306</b>	<b>31,044</b>	<b>33,736</b>

(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

#### 10. Contractual obligations

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

<i>(in thousands of dollars)</i>	<b>Transfer payments</b>	<b>Operating leases</b>	<b>Other obligations with related parties</b>	<b>Total</b>
2024	-	18,981	29,127	48,108
2025	-	2,319	3,598	5,917
2026	-	1,042	1,326	2,368
2027	-	450	692	1,142
2028	-	227	-	227
2029 and subsequent	-	-	-	-
Total	-	<b>23,019</b>	<b>34,743</b>	<b>57,762</b>

# PRIVY COUNCIL OFFICE

## 11. Related party transactions

The Privy Council Office 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.

The Privy Council Office enters into transactions with these entities in the normal course of business and on normal trade terms.

During the year, the Privy Council Office 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 accommodations, legal services, 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:

<i>(in thousands of dollars)</i>	<b>2023</b>	<b>2022</b>
Accommodation	18,001	16,227
Employer's contribution to the health and dental insurance plans	13,058	12,309
Legal services	1,015	874
Worker's compensation	1	1
<b>Total</b>	<b>32,075</b>	<b>29,411</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

<i>(in thousands of dollars)</i>	<b>2023</b>	<b>2022</b>
Expenses	46,588	42,287
Revenues	6,972	6,875

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

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## 12. Segmented information

Presentation by segment is based on the Privy Council Office'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 core responsibilities 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	2023	2022
<b>Expenses</b>				
Salaries and employee benefits	103,732	82,662	186,394	167,698
Professional and special services	15,860	24,006	39,866	22,622
Accommodation	419	18,142	18,561	17,299
Transportation and communications	1,971	3,989	5,960	4,550
Information	5,709	154	5,863	3,923
Acquisition of machinery and equipment	1,016	7,005	8,021	6,691
Repair and maintenance	275	1,318	1,593	2,418
Amortization of tangible capital assets	85	5,133	5,218	3,753
Rentals	2,736	5,099	7,835	5,548
Utilities, materials and supplies	231	503	734	520
Transfer payments	2,836	-	2,836	1,397
Other	(2,327)	4,173	1,846	(4,051)
<b>Total Expenses</b>	<b>132,543</b>	<b>152,184</b>	<b>284,727</b>	<b>232,368</b>
<b>Revenues</b>				
Miscellaneous	779	18	797	759
Internal support services	-	6,588	6,588	6,217
Revenues earned on behalf of Government	-	(18)	(18)	(21)
<b>Total Revenues</b>	<b>779</b>	<b>6,588</b>	<b>7,367</b>	<b>6,955</b>
<b>Net cost from continuing operations</b>	<b>131,764</b>	<b>145,596</b>	<b>277,360</b>	<b>225,413</b>

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## Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2022-23 (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) as well as information on internal control management, assessment results and related action plans.

Detailed information on PCO's authority, mandate, and programs can be found in the [Departmental Plan for 2023-2024](#) and [Departmental Results Report for 2021-22](#):

### 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 overall system of internal control. A departmental internal control management framework, is in place and comprises:

- organizational accountability structures as they relate to internal control management to support sound financial management, including the roles and responsibilities of senior departmental managers for control management in their areas of responsibility
- values and ethics
- ongoing communication and training on the legislative and policy requirements for sound financial management and control; and
- monitoring and regular updates on internal control management, as well as provision of related assessment results and action plans to the deputy head and senior departmental management and, as applicable, the Departmental Audit Committee.

The Departmental Audit Committee is an independent advisory committee to the deputy head. It is responsible to provide advice to the deputy head on the adequacy and functioning of the department's risk management, control and governance frameworks and processes.

#### 2.2 Service arrangements relevant to financial statements

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

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## Common Arrangements:

- Public Services and Procurement Canada administers the payments of salaries, the procurement of goods and services, and provides accommodation services
- Shared Services Canada provides information technology (IT) infrastructure services
- Department of Justice Canada provides legal services; and
- Treasury Board of Canada Secretariat provides information on public service insurance and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans.

Readers of this annex may refer to the annexes of the above-noted departments for a greater understanding of the systems of internal control over financial reporting related to these specific services.

## Specific Arrangements:

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

### 3. Departmental assessments results during fiscal year 2022-23

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

#### Progress during the 2022-23 fiscal year

Previous year's rotational on-going monitoring plan for current year	Status
Payroll	Completed as planned. Remediation actions started.
Financial Close and Reporting	Completed as planned. Remediation actions started.
Entity Level Controls	Completed as planned. Remediation actions started.

**New or significantly amended key controls** - In the current year, there were no significantly amended key controls in existing processes which required a reassessment.

**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:

- Payroll
- Financial Close and Reporting
- Entity Level 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, that processes along with roles and responsibilities are reviewed, 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.

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## 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 2023-24	Fiscal Year 2024-25	Fiscal Year 2025-26
Entity Level Controls			X
Information Technology General Controls <sup>1</sup>		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 PCO's ongoing monitoring plan. The SAP system is audited annually by the Office of the Comptroller General based on client needs and service arrangements.			