

PATENTED MEDICINE PRICES REVIEW BOARD

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 statements rests with the management of the Patented Medicine Prices Review Board (PMPRB). 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 PMPRB's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the PMPRB'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 PMPRB 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.

The PMPRB is subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to comply with the Treasury Board Policy on Financial Management.

A Core Control Audit was performed in 2011-12 by the Office of the Comptroller General of Canada (OCG). The [Audit Report and related Management Action Plan](#) are posted on the PMPRB's web site.

The financial statements of the PMPRB have not been audited.

Dr. Mitchell Levine

Chairperson
Ottawa, Canada
Date: October 7, 2020

Devon Menard

Chief Financial Officer
Ottawa, Canada
Date: October 1, 2020

PATENTED MEDICINE PRICES REVIEW BOARD
Statement of Financial Position (Unaudited)
As at March 31

(in dollars)	2020	2019
Liabilities		
Accounts payable and accrued liabilities (note 4)	\$ 1,878,279	\$ 1,448,179
Vacation pay and compensatory leave	418,084	280,461
Employee future benefits (note 5)	342,954	337,103
Total net liabilities	2,639,317	2,065,743
Financial assets		
Due from Consolidated Revenue Fund	1,425,202	1,166,667
Accounts receivable and advances (note 6)	680,207	452,297
Total gross financial assets	2,105,409	1,618,964
Financial assets held on behalf of Government		
Accounts receivable and advances (note 6)	(227,130)	(170,785)
Total financial assets held on behalf of Government	(227,130)	(170,785)
Total net financial assets	1,878,279	1,448,179
Departmental net debt	761,038	617,564
Non-financial assets		
Tangible capital assets (note 7)	144,385	209,562
Total non-financial assets	144,385	209,562
Departmental net financial position	\$ (616,653)	\$ (408,002)

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

Dr. Mitchell Levine
Chairperson
Ottawa, Canada
Date: October 7, 2020

Devon Menard
Chief Financial Officer
Ottawa, Canada
Date: October 1, 2020

PATENTED MEDICINE PRICES REVIEW BOARD
Statement of Operations and Departmental Net Financial Position (Unaudited)
For the Year Ended March 31

(in dollars)	2020 Planned Results	2020	2019
Expenses			
Regulate Patented Medicine Prices	\$ 14,568,081	\$ 10,506,828	\$ 8,101,807
Internal Services	3,619,059	4,398,375	3,059,936
Total expenses	18,187,140	14,905,203	11,161,743
Revenues			
Voluntary compliance undertakings	-	3,492,456	6,996,128
Other	-	1,555	5,589
Revenues earned on behalf of Government	-	(3,492,460)	(6,996,188)
Total revenues	-	1,551	5,529
Net cost of operations before government funding and transfers	18,187,140	14,903,652	11,156,214
Government funding and transfers			
Net cash provided by Government of Canada		12,911,286	10,035,101
Change in due from Consolidated Revenue Fund		258,535	189,929
Services provided without charge by other government departments (note 8)		1,525,976	1,182,480
Transfer of assets and liabilities from (to) other government		(796)	-
Net cost of (revenue from) operations after government funding and transfers		208,651	(251,296)
Departmental net financial position - Beginning of year		(408,002)	(659,298)
Departmental net financial position - End of year		\$ (616,653)	\$ (408,002)

Segmented information (note 9)

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

PATENTED MEDICINE PRICES REVIEW BOARD
Statement of Change in Departmental Net Debt (Unaudited)
For the Year Ended March 31

(in dollars)	2020	2019
Net cost of (revenue from) operations after government funding and transfers	\$ 208,651	\$ (251,296)
Change due to tangible capital assets		
Acquisition of tangible capital assets	-	133,763
Amortization of tangible capital assets	(65,177)	(44,473)
Total change due to tangible capital assets	(65,177)	89,290
Net increase (decrease) in departmental net debt	143,474	(162,006)
Departmental net debt - Beginning of year	617,564	779,570
Departmental net debt - End of year	\$ 761,038	\$ 617,564

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

PATENTED MEDICINE PRICES REVIEW BOARD
Statement of Cash Flows (Unaudited)
For the Year Ended March 31

(in dollars)	2020	2019
Operating activities		
Net cost of operations before government funding and transfers	\$ 14,903,652	\$ 11,156,214
Non-cash items:		
Amortization of tangible capital assets	(65,177)	(44,473)
Services provided without charge by other government departments (note 8)	(1,525,976)	(1,182,480)
Transfer of assets and liabilities from (to) other government departments	796	-
Variations in Statement of Financial Position:		
Decrease (increase) in accounts payable and accrued liabilities	(430,100)	(140,290)
Decrease (increase) in vacation pay and compensatory leave	(137,623)	176,778
Decrease (increase) in employee future benefits	(5,851)	(14,772)
Increase (decrease) in accounts receivable and advances	171,565	(49,639)
Cash used in operating activities	12,911,286	9,901,338
Capital investing activities		
Acquisitions of tangible capital assets	-	133,763
Cash used in capital investing activities	-	133,763
Net cash provided by Government of Canada	\$ 12,911,286	\$ 10,035,101

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

Notes to the Financial Statements (Unaudited) For the Year Ended March 31, 2020

1. Authority and objectives

The Patented Medicine Prices Review Board (PMPRB) is an independent quasi-judicial body established by Parliament in 1987 under the Patent Act.

Although the PMPRB is part of the Health Portfolio, it carries out its mandate at arm's length from the Minister of Health. It also operates independently of other bodies such as Health Canada, which approves drugs for safety and efficacy, and public drug plans, which approve the listing of drugs on their respective formularies for reimbursement purposes.

Core responsibility: Regulate Patented Medicine Prices

The PMPRB regulates the prices of patented medicines by setting non-excessive price ceilings and taking enforcement action before the Board in the event of non-compliance.

Internal Services

Internal Services are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the 10 distinct service categories that support Program delivery in the organization, regardless of the Internal Services delivery model in a department. The 10 service categories 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; and Acquisition Services.

2. Summary of significant accounting policies

These financial statements have been prepared using the PMPRB'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 PMPRB is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the PMPRB 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 Financial Position and the Statement of Operations and Departmental Net 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 2019-20 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 2019-20 Departmental Plan.

(b) Net cash provided by Government

The PMPRB operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the PMPRB is deposited to the CRF, and all cash disbursements made by the PMPRB 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 the Consolidated Revenue Fund

Amounts due from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the PMPRB is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues

- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- Other revenues are recognized in the period the event giving rise to the revenue occurred.
- Revenues that are non-responsible are not available to discharge the PMPRB's liabilities. While the Chairperson is

expected to maintain accounting control, he 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 in reduction of the entity's gross revenues.

(e) Expenses

- Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, and employer contributions to the health and dental insurance plans are recorded as operating expenses at their carrying value.

(f) Employee future benefits

- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan (the "Plan"), a multiemployer pension plan administered by the Government. The PMPRB's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The PMPRB's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
- ii. Severance benefits: The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. 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 where necessary, are discounted to reflect their concessionary terms. When 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 7. All tangible capital assets and leasehold improvements having an initial cost of \$10,000 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.

(i) Contingent liabilities

Contingent liabilities 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.

(j) Contingent assets

Contingent assets are possible assets which may become actual assets when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, the contingent asset is disclosed in the notes to the financial statements.

(k) 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.

(l) 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.

3. Parliamentary authorities

The PMPRB receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Financial Position and the Statement of Operations and Departmental Net Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the PMPRB has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

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

(in dollars)	2020	2019
Net cost of operations before government funding and transfers	\$ 14,903,652	\$ 11,156,214
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(65,177)	(44,473)
Services provided without charge by other government departments	(1,525,976)	(1,182,480)
Decrease (increase) in vacation pay and compensatory leave	(137,623)	176,778
Decrease (increase) in employee future benefits	(5,851)	(14,772)
Refund/adjustment of prior years' expenditures	66,935	36,836
Other	(10,012)	(24,676)
Total items affecting net cost of operations but not affecting authorities	(1,677,704)	(1,052,787)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	-	133,763
Proceeds from disposal of Crown assets	1,337	1,634
Increase in salary overpayments to be recovered	81,171	47,179
Issuance of advances to employees	5,424	12,332
Total items not affecting net cost of operations but affecting authorities	87,932	194,908
Current year authorities used	\$ 13,313,880	\$ 10,298,335

(b) Authorities provided and used

(in dollars)	2020	2019
Authorities provided:		
Vote 1 - Program expenditures	\$ 16,005,929	\$ 14,222,086
Statutory amounts	1,151,616	923,200
Less:		
Lapsed authorities	(3,843,665)	(4,846,951)
Current year authorities used	\$ 13,313,880	\$ 10,298,335

4. Accounts payable and accrued liabilities

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

Accounts payable and accrued liabilities

(in dollars)	2020	2019
Accounts payable - Other government departments and agencies	\$ 305,249	\$ 86,543

Accounts payable - External parties	701,023	388,860
Total accounts payable	1,006,272	475,403
Accrued liabilities	872,007	972,776
Total accounts payable and accrued liabilities	\$ 1,878,279	\$ 1,448,179

5. Employee future benefits

(a) Pension benefits

The PMPRB'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 Plans benefits and they are indexed to inflation.

Both the employees and the PMPRB 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 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2019-20 expense amounts to the following:

Pension expense

(in dollars)	2020	2019
Expense for the year	\$ 796,913	\$ 642,700

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.

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

(b) Severance benefits

Severance benefits provided to the PMPRB's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2020, 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:

Accrued benefit obligation

(in dollars)	2020	2019
Accrued benefit obligation - Beginning of year	\$ 337,103	\$ 322,331
Expense for the year	130,438	14,772
Benefits paid during the year	(124,587)	-
Accrued benefit obligation - End of year	\$ 342,954	\$ 337,103

6. Accounts receivable and advances

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

Accounts receivable and advances

(in dollars)	2020	2019
Accounts receivable - Other government departments and agencies	\$ 452,577	\$ 281,012

Employee advances	227,630	171,285
Gross accounts receivable and advances	680,207	452,297
Accounts receivable held on behalf of Government	(227,130)	(170,785)
Net accounts receivable and advances	\$ 453,077	\$ 281,512

7. Tangible capital assets

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

Tangible capital assets

Asset Class	Sub-asset Class	Amortization Period
Machinery and equipment	Computer equipment	3-5 years
	Computer software	3 years

Tangible capital assets (in dollars)

Cost	Opening Balance	Acquisitions	Disposals/ Write-offs	Closing Balance
Machinery and equipment	\$ 443,626	\$ -	\$ -	\$ 443,626
Total	\$ 443,626	\$ -	\$ -	\$ 443,626
Accumulated Amortization	Opening Balance	Amortization	Disposals/ Write-offs	Closing Balance
Machinery and equipment	\$ 234,064	\$ 65,177	\$ -	\$ 299,241
Total	\$ 234,064	\$ 65,177	\$ -	\$ 299,241
Net Book Value	Net Book Value 2019			Net Book Value 2020
Machinery and equipment	\$ 209,562			\$ 144,385
Total	\$ 209,562			\$ 144,385

8. Related party transactions

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

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

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

Common services provided without charge by other government departments

(in dollars)	2020	2019
Accommodation	\$ 818,106	\$ 632,281
Employer's contribution to the health and dental insurance plans	707,870	550,199
Total	\$ 1,525,976	\$ 1,182,480

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 and audit services provided by the Office of the Auditor General are not included in the PMPRB's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with related parties

Other transactions with related parties

(in dollars)	2020	2019
Expenses - Other government departments and agencies	\$ 948,746	\$ 604,195

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

9. Segmented information

Presentation by segment is based on the PMPRB'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 programs, by major object of expense and by major type of revenue. The segment results for the period are as follows:

Segmented information

(in dollars)	Regulate Patented Medicine Prices	Internal Services	2020 Total	2019 Total
Expenses				
Salaries and employee benefits	\$ 7,489,296	\$ 2,357,042	\$ 9,846,338	\$ 7,947,097
Professional and special services	1,518,183	386,664	1,904,847	1,245,052
Accommodation	622,919	195,187	818,106	632,282
Utilities, materials and supplies	2,225	680,035	682,260	254,059
Information services	656,234	18,409	674,643	693,207
Repair and maintenance	-	358,404	358,404	9,523
Rentals	26,064	245,058	271,122	107,397
Travel and relocation	189,219	26,249	215,468	179,903
Communications	-	65,585	65,585	34,936
Amortization of tangible capital assets	-	65,177	65,177	44,473
Other	2,688	565	3,253	13,814
Total expenses	10,506,828	4,398,375	14,905,203	11,161,743
Revenues				
Voluntary compliance undertakings	-	3,492,456	3,492,456	6,996,128
Other	212	1,343	1,555	5,589
Revenues earned on behalf of Government	-	(3,492,460)	(3,492,460)	(6,996,188)
Total revenues	212	1,339	1,551	5,529
Net cost of operations before government funding and transfers	\$ 10,506,616	\$ 4,397,036	\$ 14,903,652	\$ 11,156,214