



# **Shared Services Canada Financial Statements**

March 31, 2020



Shared Services  
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## Shared Services Canada

### 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 Shared Services Canada. 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 Shared Services Canada's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in Shared Services Canada'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 Shared Services Canada and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2020 was completed in accordance with the Treasury Board *Policy on Financial Management* and the results and action plans are summarized in the annex.

The annex also provides information on the status of the risk-based assessment of the controls over common services provided by the department that have a bearing on a recipient's departmental financial statements.

The effectiveness and adequacy of Shared Services Canada's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Shared Services Canada's operations, and by the Departmental Audit Committee, which provides objective advice and recommendations to the President regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the department's risk management, control and governance frameworks and processes. The Committee also provides advice on the financial statements to the President of Shared Services Canada.

The financial statements of Shared Services Canada have not been audited.

*Original signed by*

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**Paul Glover**  
**President**

Ottawa, Canada  
October 5, 2020

*Original signed by*

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**Denis Bombardier, CPA, CGA**  
**Senior Assistant Deputy Minister,**  
**Chief Financial Officer**

**Shared Services Canada**  
**Statement of Financial Position (*Unaudited*)**  
**As at March 31**  
*(in thousands of dollars)*

	<b>2020</b>	<b>2019</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	478,417	619,255
Vacation pay and compensatory leave	56,794	45,685
Deferred revenue (note 5)	-	1,062
Lease obligations for tangible capital assets (note 6)	179,335	233,831
Obligation under public private partnership (note 7)	120,487	136,842
Employee future benefits (note 8)	29,963	28,726
<b>Total liabilities</b>	<b>864,996</b>	<b>1,065,401</b>
<b>Financial assets</b>		
Due from the Consolidated Revenue Fund	268,152	420,738
Accounts receivable and advances (note 9)	260,404	257,705
<b>Total gross financial assets</b>	<b>528,556</b>	<b>678,443</b>
<b>Financial assets held on behalf of Government</b>		
Accounts receivable and advances (note 9)	(3,401)	(3,526)
<b>Total financial assets held on behalf of Government</b>	<b>(3,401)</b>	<b>(3,526)</b>
<b>Total net financial assets</b>	<b>525,155</b>	<b>674,917</b>
<b>Departmental net debt</b>	<b>339,841</b>	<b>390,484</b>
<b>Non-financial assets</b>		
Prepaid expenses	64,705	9,100
Tangible capital assets (note 10)	1,236,835	1,261,350
<b>Total non-financial assets</b>	<b>1,301,540</b>	<b>1,270,450</b>
<b>Departmental net financial position</b>	<b>961,699</b>	<b>879,966</b>

Contractual obligations and contractual rights (note 11)  
Contingent liabilities and contingent assets (note 12)

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

*Original signed by*

**Paul Glover**  
**President**

Ottawa, Canada  
October 5, 2020

*Original signed by*

**Denis Bombardier, CPA, CGA**  
**Senior Assistant Deputy Minister,**  
**Chief Financial Officer**

**Shared Services Canada**  
**Statement of Operations and Departmental Net Financial Position (Unaudited)**  
**For the Year Ended March 31**  
*(in thousands of dollars)*

	<u>2020</u>	<u>2020</u>	<u>2019</u>
	<b>Planned Results</b>		
<b>Expenses</b>			
Email and Workplace Technology	145,902	215,856	167,069
Data Centres	776,811	796,671	826,087
Telecommunications	998,324	958,570	942,818
Cyber and IT Security	211,156	211,966	191,062
Customer Relationships and Service Management	246,355	273,353	230,017
Internal Services	227,064	260,315	221,948
<b>Total expenses</b>	<b>2,605,612</b>	<b>2,716,731</b>	<b>2,579,001</b>
<b>Revenues</b>			
Sale of goods and services	677,609	745,116	694,051
Miscellaneous revenues	423	367	336
Revenues earned on behalf of Government	(11,555)	(12,017)	(12,301)
<b>Total revenues</b>	<b>666,477</b>	<b>733,466</b>	<b>682,086</b>
<b>Net cost of operations before government funding and transfers</b>	<b>1,939,135</b>	<b>1,983,265</b>	<b>1,896,915</b>
<b>Government funding and transfers</b>			
Net cash provided by Government of Canada		2,101,007	1,774,301
Change in due from the Consolidated Revenue Fund		(152,586)	72,606
Services provided without charge by other government departments (note 13)		116,254	93,829
Net transfer of salary overpayments from other government departments		323	173
Transfer of tangible capital assets from other government departments		-	52
Transfer of assets to other government departments (note 14)		-	(1,487)
<b>Net cost of operations after government funding and transfers</b>		<b>(81,733)</b>	<b>(42,559)</b>
<b>Departmental net financial position – Beginning of year</b>		<b>879,966</b>	<b>837,407</b>
<b>Departmental net financial position – End of year</b>		<b>961,699</b>	<b>879,966</b>

Segmented information (note 15)

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

**Shared Services Canada**  
**Statement of Change in Departmental Net Debt (*Unaudited*)**  
**For the Year Ended March 31**  
*(in thousands of dollars)*

	<u>2020</u>	<u>2019</u>
<b>Net cost of operations after government funding and transfers</b>	<b>(81,733)</b>	<b>(42,559)</b>
<b>Change due to tangible capital assets</b>		
Acquisitions of tangible capital assets	349,151	413,704
Amortization of tangible capital assets	(334,855)	(278,509)
Net loss on disposal of tangible capital assets including adjustments	(38,811)	(360)
Transfers from other government departments	-	52
Transfers to other government departments	-	(263)
<b>Total change due to tangible capital assets</b>	<b>(24,515)</b>	<b>134,624</b>
<b>Change due to prepaid expenses</b>	<b>55,605</b>	<b>(7,470)</b>
<b>Net increase (decrease) in departmental net debt</b>	<b>(50,643)</b>	<b>84,595</b>
<b>Departmental net debt – Beginning of year</b>	<b>390,484</b>	<b>305,889</b>
<b>Departmental net debt – End of year</b>	<b><u>339,841</u></b>	<b><u>390,484</u></b>

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

**Shared Services Canada**  
**Statement of Cash Flows (*Unaudited*)**  
**For the Year Ended March 31**  
*(in thousands of dollars)*

	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Net cost of operations before government funding and transfers	1,983,265	1,896,915
Non-cash items:		
Amortization of tangible capital assets	(334,855)	(278,509)
Net loss on disposal of tangible capital assets including adjustments	(38,811)	(360)
Services provided without charge by other government departments (note 13)	(116,254)	(93,829)
Net transfer of salary overpayments from other government departments	(323)	(173)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	2,824	(9,560)
Increase (decrease) in prepaid expenses	55,605	(7,470)
Decrease (increase) in accounts payable and accrued liabilities	140,838	(55,118)
Decrease (increase) in vacation pay and compensatory leave	(11,109)	(7,020)
Decrease (increase) in deferred revenue	1,062	1,274
Decrease (increase) in employee future benefits	(1,237)	(2,009)
Adjustment of the obligation under public private partnership	12,981	-
Transfer of prepaid expenses to other government departments (note 14)	-	1,224
<b>Cash used in operating activities</b>	<b>1,693,986</b>	<b>1,445,365</b>
<b>Capital investing activities</b>		
Acquisitions of tangible capital assets (excluding leased tangible capital assets and asset under construction related to public private partnership)	349,151	276,862
<b>Cash used in capital investing activities</b>	<b>349,151</b>	<b>276,862</b>
<b>Financing activities</b>		
Payments on lease obligations for tangible capital assets	54,496	52,074
Payments on obligation under public private partnership	3,374	-
<b>Cash used in financing activities</b>	<b>57,870</b>	<b>52,074</b>
<b>Net cash provided by Government of Canada</b>	<b>2,101,007</b>	<b>1,774,301</b>

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

**Shared Services Canada**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

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**1. Authority and objectives**

Shared Services Canada (SSC) was created on August 4, 2011 to transform how the Government of Canada manages its information technology (IT) infrastructure. SSC operates under the legislation set out in the *Shared Services Canada Act* and reports to Parliament through the Minister of Digital Government. SSC provides services related to email, data centre, networks and end-user IT to organizations specified by the Governor in Council. SSC also provides government-wide secure IT infrastructure services. The Minister responsible for SSC has the authority to procure any equipment required to provide shared IT infrastructure services to departments. Maintaining strong customer relationships and service management is essential to the successful delivery of SSC's mandate.

SSC's Departmental Results Framework is structured by the following five core responsibilities and internal services:

- **Email and Workplace Technology:** SSC procures, manages and protects email services for its customer organizations. SSC also acquires and provides hardware and software for workplace devices.
- **Data Centres:** SSC provides modern, secure and reliable data centre services to customer organizations for the remote storing, processing and distribution of data, including cloud storage and computing services.
- **Telecommunications:** SSC delivers data, voice and video communication services within and across the Government of Canada. SSC also provides the Government of Canada's contact centre IT infrastructure, cellular and toll-free services.
- **Cyber and IT Security:** SSC works with other Government of Canada departments to provide secure IT infrastructure services to ensure the confidentiality, integrity and availability of electronic information stored, processed and transmitted by the Government of Canada.
- **Customer Relationships and Service Management:** SSC provides customer relationship and service management functions to ensure customers are supported and engaged and their IT services are well managed throughout their life cycle.
- **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 services that support program delivery in the organization, regardless of the Internal Services delivery model in a department. These services are Management and Oversight Services, Communications Services, Legal Services, Human Resources Management Services, Financial Management Services, Information Management Services, Information Technology Services, Real Property Management Services, Materiel Management Services, and Acquisition Management Services.

**2. Summary of significant accounting policies**

These financial statements are prepared using the government'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:

**Shared Services Canada**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

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a) Parliamentary authorities

SSC is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to SSC do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting.

The planned results amounts in the “Expenses” and “Revenues” sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the *2019-20 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 of Canada

SSC operates within the Consolidated Revenue Fund, which is administered by the Receiver General for Canada. All cash received by SSC is deposited to the Consolidated Revenue Fund, and all cash disbursements made by SSC are paid from the Consolidated Revenue Fund. 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 Consolidated Revenue Fund

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

d) Revenues

Revenues are recognized in the period the event giving rise to the revenues occurred.

Deferred revenue consists of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned.

Revenues that are non-respendable are not available to discharge SSC's liabilities. While the President of SSC 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 as a reduction of SSC'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.



**Shared Services Canada**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

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f) Employee future benefits

- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the government. SSC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. SSC'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 and advances

Accounts receivable and advances are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for receivables where recovery is considered uncertain.

h) Tangible capital assets

The cost 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 below. 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.

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
Buildings	From 20 to 50 years
Works and infrastructure	From 20 to 40 years
Machinery and equipment	From 5 to 15 years
Computer hardware	From 3 to 10 years
Computer software	From 3 to 10 years
Vehicles	From 6 to 8 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement
Leased tangible capital assets	According to the useful life of the asset if a bargain purchase option exists or over the term of the lease

Assets under construction are recorded in the applicable asset class in the year they become available for use and are not amortized until they become available for use.

**Shared Services Canada**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

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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.

**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**3. Parliamentary authorities**

SSC receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, SSC 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**

	<u>2020</u>	<u>2019</u>
	<i>(in thousands of dollars)</i>	
Net cost of operations before government funding and transfers	1,983,265	1,896,915
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(334,855)	(278,509)
Net loss on disposal of tangible capital assets including adjustments	(38,811)	(360)
Services provided without charge by other government departments	(116,254)	(93,829)
Decrease (increase) in vacation pay and compensatory leave	(11,109)	(7,020)
Decrease (increase) in employee future benefits	(1,237)	(2,009)
Bad debt expense	-	(2)
Refunds and adjustments to previous years' expenses	12,545	9,089
Respendable revenue	1,622	(1,213)
Adjustment of the obligation under public private partnership	12,981	-
Other	147	4
Total items affecting net cost of operations but not affecting authorities	(474,971)	(373,849)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets (excluding leased tangible capital assets and asset under construction related to public private partnership)	349,151	276,862
Payments on lease obligations for tangible capital assets	54,496	52,074
Payments on obligation under public private partnership	3,374	-
Increase (decrease) in accounts receivable for salary overpayments	2,676	3,277
Increase (decrease) in prepaid expenses	55,605	(7,470)
Total items not affecting net cost of operations but affecting authorities	465,302	324,743
<b>Current year authorities used</b>	<u><b>1,973,596</b></u>	<u><b>1,847,809</b></u>

**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**b) Authorities provided and used**

	<b>2020</b>	<b>2019</b>
	<i>(in thousands of dollars)</i>	
Authorities provided:		
Vote 1 – Operating expenditures	1,720,436	1,644,414
Vote 5 – Capital expenditures	428,519	319,784
Vote 10 – Making Federal Government Workplaces More Accessible	241	-
Statutory amounts	95,769	91,208
Less:		
Lapsed: Operating expenditures	(176,046)	(149,626)
Lapsed: Capital expenditures	(95,082)	(57,971)
Lapsed: Making Federal Government Workplaces More Accessible	(241)	-
<b>Current year authorities used</b>	<b>1,973,596</b>	<b>1,847,809</b>

**4. Accounts payable and accrued liabilities**

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

	<b>2020</b>	<b>2019</b>
	<i>(in thousands of dollars)</i>	
Accounts payable - Other government departments and agencies	53,239	39,841
Accounts payable - External parties	294,285	396,406
Total accounts payable	347,524	436,247
Accrued liabilities	130,893	183,008
<b>Total accounts payable and accrued liabilities</b>	<b>478,417</b>	<b>619,255</b>

**5. Deferred revenue**

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received prior to services being performed. Revenue is recognized in the period in which the service is performed. Details of the transactions related to this account are as follows:

	<b>2020</b>	<b>2019</b>
	<i>(in thousands of dollars)</i>	
<b>Opening balance</b>	<b>1,062</b>	<b>2,336</b>
Amounts received	-	-
Revenue recognized	(1,062)	(1,274)
<b>Net closing balance</b>	<b>-</b>	<b>1,062</b>

**Shared Services Canada**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

**6. Lease obligations for tangible capital assets**

SSC has entered into agreements to lease certain computer hardware under capital leases with a cost of \$312,217 thousand and accumulated amortization of \$136,543 thousand as at March 31, 2020 (\$312,217 thousand and \$81,770 thousand respectively as at March 31, 2019). The obligations related to the upcoming years include the following:

	<u>2020</u>	<u>2019</u>
	<i>(in thousands of dollars)</i>	
2020	-	57,788
2021	62,391	62,391
2022	47,091	47,091
2023	28,090	28,090
2024	26,857	26,857
2025	20,142	20,142
Total future minimum lease payments	184,571	242,359
Less: imputed interest (1.44% to 1.89%)	5,236	8,528
<b>Balance of obligations under leased tangible capital assets</b>	<b><u>179,335</u></b>	<b><u>233,831</u></b>

**7. Obligation under public private partnership**

SSC has entered into a public private partnership agreement to upgrade and expand the Enterprise Data Centre Borden with a cost of \$153,304 thousand and accumulated amortization of \$4,855 thousand as at March 31, 2020. The obligations related to the upcoming years include the following:

	<u>2020</u>	<u>2019</u>
	<i>(in thousands of dollars)</i>	
2020	-	3,933
2021	7,867	7,867
2022	7,867	7,867
2023	7,867	7,867
2024	7,867	7,867
2025	7,867	7,867
2026 and subsequent	138,026	138,026
Total future minimum lease payments	177,361	181,294
Less: imputed interest (3.67%) (2.56% in 2018-19)	56,874	44,452
<b>Balance of obligation under public private partnership</b>	<b><u>120,487</u></b>	<b><u>136,842</u></b>

**8. Employee future benefits**

**a) Pension benefits**

SSC'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 SSC 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*

**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

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 \$63,890 thousand (\$61,723 thousand in 2018-19). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2018-19) the employees' contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2018-19) the employees' contributions.

SSC'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.

**b) Severance benefits**

Severance benefits provided to SSC'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:

	<u>2020</u>	<u>2019</u>
	<i>(in thousands of dollars)</i>	
<b>Accrued benefit obligation - Beginning of year</b>	<b>28,726</b>	<b>26,717</b>
Expense (adjustment) for the year	4,133	5,838
Benefits paid during the year	(2,896)	(3,829)
<b>Accrued benefit obligation - End of year</b>	<b>29,963</b>	<b>28,726</b>

**9. Accounts receivable and advances**

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

	<u>2020</u>	<u>2019</u>
	<i>(in thousands of dollars)</i>	
Receivables - Other government departments and agencies	246,400	240,528
Receivables – External parties	13,884	17,074
Employee advances	121	107
Subtotal	260,405	257,709
Allowance for doubtful accounts on receivables from external parties	(1)	(4)
<b>Gross accounts receivable and advances</b>	<b>260,404</b>	<b>257,705</b>
Accounts receivable held on behalf of Government	(3,401)	(3,526)
<b>Net accounts receivable and advances</b>	<b>257,003</b>	<b>254,179</b>

**Shared Services Canada**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

**10. Tangible capital assets**

*(in thousands of dollars)*

Capital Asset Class	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	2020	2019
Buildings	3,085	-	153,304	-	156,389	2,563	3,168	1,789	-	7,520	148,869	522
Works and infrastructure	1,310	-	-	-	1,310	228	52	-	-	280	1,030	1,082
Machinery and equipment	55,047	1,081	1,930	-	58,058	45,460	2,860	210	-	48,530	9,528	9,587
Computer hardware	1,926,203	264,597	44,609	13,417	2,221,992	1,331,945	248,574	1,303	13,313	1,568,509	653,483	594,258
Computer software	201,200	2,671	34,535	-	238,406	185,026	17,479	(1)	-	202,504	35,902	16,174
Vehicles	2,517	404	-	61	2,860	477	333	-	61	749	2,111	2,040
Leasehold improvements	48,909	13,020	5,131	-	67,060	27,952	7,616	-	-	35,568	31,492	20,957
Leased tangible capital assets	312,217	-	-	-	312,217	81,770	54,773	-	-	136,543	175,674	230,447
Assets under construction	386,283	67,378	(274,915)	-	178,746	-	-	-	-	-	178,746	386,283
<b>Total</b>	<b>2,936,771</b>	<b>349,151</b>	<b>(35,406)</b>	<b>13,478</b>	<b>3,237,038</b>	<b>1,675,421</b>	<b>334,855</b>	<b>3,301</b>	<b>13,374</b>	<b>2,000,203</b>	<b>1,236,835</b>	<b>1,261,350</b>

(1) Adjustments include assets under construction of \$238,983 thousand that were transferred to the other categories upon completion of the assets.

Adjustments also include a net amount of \$38,707 thousand in adjustments of previous year expenses.

**Shared Services Canada**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

**11. Contractual obligations and contractual rights**

**a) Contractual obligations**

The nature of SSC's activities may result in some large multi-year contracts and obligations whereby SSC will be obligated to make future payments when the services/goods are received. Significant contractual obligations (\$10 million or more) that can be reasonably estimated are summarized as follows:

<i>(in thousands of dollars)</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026 and subsequent</b>	<b>Total</b>
Acquisition of goods and services	659,441	389,112	344,448	316,735	272,532	318,218	2,300,486
Tangible capital assets	-	-	13,020	-	-	-	13,020
<b>Total</b>	<b>659,441</b>	<b>389,112</b>	<b>357,468</b>	<b>316,735</b>	<b>272,532</b>	<b>318,218</b>	<b>2,313,506</b>

**b) Contractual rights**

SSC has determined that there are no contractual rights which require disclosure in these financial statements.

**12. Contingent liabilities and contingent assets**

**a) Contingent liabilities**

Claims have been made against SSC in the normal course of operations. Where it is likely that there will be a future payment and a reasonable estimate of the loss can be made, an allowance for claims and litigations is recorded. No allowance has been recorded in SSC's financial statements. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amounted to approximately \$200 thousand at March 31, 2020 (\$0 at March 31, 2019).

**b) Contingent assets**

SSC has determined that there are no contingent assets which require disclosure in these financial statements.

**13. Related party transactions**

SSC 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.

SSC 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, SSC 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 SSC's Statement of Operations and Departmental Net Financial Position as follows:



**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

	<b>2020</b>	<b>2019</b>
	<i>(in thousands of dollars)</i>	
Employer's contribution to the health and dental insurance plans	60,805	51,999
Accommodation	55,449	41,830
<b>Total</b>	<b>116,254</b>	<b>93,829</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 SSC's Statement of Operations and Departmental Net Financial Position.

**b) Common services provided without charge to other government departments**

During the year, SSC provided services without charge to other government departments, related to the provision of IT infrastructure services. These services are not recognized as revenues in the Statement of Operations and Departmental Net Financial Position.

**c) Other transactions with other government departments and agencies**

	<b>2020</b>	<b>2019</b>
	<i>(in thousands of dollars)</i>	
Expenses – Services provided to SSC by other government departments and agencies	197,357	228,398
Revenues – Services provided by SSC to other government departments and agencies	740,487	689,840

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

**14. Transfer to other government departments**

Effective October 1, 2018, SSC transferred responsibility for the control and supervision of the Security Operations Center to the Communications Security Establishment in accordance with Order in Council (P.C. 2018-1061), including the stewardship responsibility for the assets and liabilities related to the program. Accordingly, SSC transferred the following assets from the Security Operations Center to the Communications Security Establishment on October 1, 2018:

	<b>2019</b>
	<i>(in thousands of dollars)</i>
Prepaid expenses	1,224
Tangible capital assets (net book value) (note 10)	263
Total assets transferred	1,487
<b>Adjustment to the departmental net financial position</b>	<b>1,487</b>

**Shared Services Canada**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**15. Segmented information**

Presentation by segment is based on SSC'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 expenses and by major type of revenues. The segment results for the period are as follows:

<i>(in thousands of dollars)</i>	<b>Email and Workplace Technology</b>	<b>Data Centres</b>	<b>Telecommu- nications</b>	<b>Cyber and IT Security</b>	<b>Customer Relationships and Service Management</b>	<b>Internal Services</b>	<b>2020 Total</b>	<b>2019 Total</b>
Operating expenses								
Salaries and employee benefits	40,982	210,617	173,334	78,266	168,959	148,005	820,163	749,814
Telecommunications	7,194	724	472,469	1,809	1,479	3,471	487,146	534,006
Amortization of tangible capital assets	9,520	212,130	89,113	20,590	691	2,811	334,855	278,509
Rentals	129,484	127,879	23,130	35,833	5,948	2,721	324,995	375,580
Professional and special services	12,148	38,880	45,980	39,830	75,365	64,153	276,356	239,947
Repairs and maintenance	7,837	94,145	87,745	23,790	1,536	3,692	218,745	168,379
Machinery and equipment	5,457	69,652	52,462	5,606	3,872	8,713	145,762	152,536
Accommodation	2,772	14,241	11,812	5,352	11,422	22,709	68,308	58,145
Interest on obligation under public private partnership	-	11,262	-	-	-	-	11,262	-
Utilities, materials and supplies	100	4,925	531	245	471	1,335	7,607	7,619
Transportation	299	1,486	1,730	457	928	2,252	7,152	7,654
Interest on capital lease payments	-	3,292	-	-	-	-	3,292	4,181
Information	12	8	128	56	2,667	410	3,281	1,315
Loss on disposal of tangible capital assets	-	52	52	-	-	-	104	351
Other expenses	51	7,378	84	132	15	43	7,703	965
<b>Total operating expenses</b>	<b>215,856</b>	<b>796,671</b>	<b>958,570</b>	<b>211,966</b>	<b>273,353</b>	<b>260,315</b>	<b>2,716,731</b>	<b>2,579,001</b>
Revenues								
Sale of goods and services	62,438	224,025	356,707	67,459	34,487	-	745,116	694,051
Miscellaneous revenues	43	80	40	179	3	22	367	336
Revenues earned on behalf of Government	(642)	(2,111)	(7,095)	(1,161)	(986)	(22)	(12,017)	(12,301)
<b>Total revenues</b>	<b>61,839</b>	<b>221,994</b>	<b>349,652</b>	<b>66,477</b>	<b>33,504</b>	<b>-</b>	<b>733,466</b>	<b>682,086</b>
<b>Net cost of operations before government funding and transfers</b>	<b>154,017</b>	<b>574,677</b>	<b>608,918</b>	<b>145,489</b>	<b>239,849</b>	<b>260,315</b>	<b>1,983,265</b>	<b>1,896,915</b>

**Annex to the  
*Statement of Management Responsibility Including  
Internal Control Over Financial Reporting***

**Assessment of Internal Controls over  
Financial Reporting and the Action Plan for the fiscal year ended  
March 31, 2020**

## **Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting – Fiscal Year 2019-20**

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### **1. Introduction**

This document provides summary information on the measures taken by Shared Services Canada (SSC) 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 the department's authority, mandate and program activities can be found in the *2019-20 Departmental Results Report (DRR)* and the [2020-21 Departmental Plan](#).

### **2. Departmental system of Internal Control over Financial Reporting**

#### **2.1 Internal control management**

SSC has a governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. A departmental internal control management framework, approved by the President, is in place and includes:

- Organizational accountability structures as they relate to internal control management to support sound financial management, including roles and responsibilities of senior managers in their areas of responsibility for control management;
- An internal attestation process in support of certification by the President and Chief Financial Officer, whereby, senior departmental executives who report to the President attest that they have maintained an effective system of Internal Control over Financial Reporting in their area of responsibility;
- Values and ethics;
- Ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control; and
- Regular monitoring of internal control management, as well as the provision of related assessment results and action plans to the President, departmental senior management and, as applicable, the Departmental Audit Committee.

The Departmental Audit Committee provides advice to the President 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**

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

##### **Common Service Arrangements**

- Public Services and Procurement Canada (PSPC) centrally administers the payments of salaries and the procurement of goods and services in accordance with the SSC's Delegation of Authority and provides accommodation services;
- The Treasury Board of Canada Secretariat provides services related to public sector insurance for employees of SSC and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans (i.e., the Public Service Pension Plan, Employment Insurance Plan, Canada Pension Plan, Quebec Pension Plan and Public Service Supplementary Death Benefit Plan) on behalf of SSC; and
- The Department of Justice provides legal services to SSC.

Readers of this Annex may refer to the Annexes of the above-noted organizations for a greater understanding of the systems of ICFR related to these specific services.

SSC relies on other external service providers and/or departments for the processing of certain transactions or information that are recorded in its financial statements, as follows:

### **Specific Arrangements**

- PSPC provides SSC with a SAP financial platform to capture and report all financial transactions; and
- Agriculture and Agri-Food Canada provides SSC with a PeopleSoft platform to process transactions related to human resources.

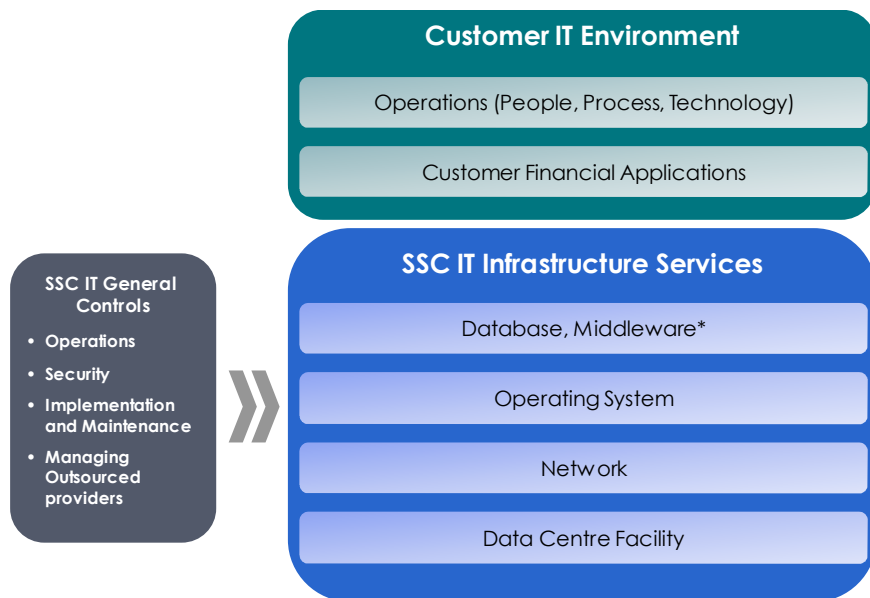
### **2.3 Common Services Provided by SSC**

SSC plays a significant role in the delivery of digital government by establishing a reliable, modern, secure and accessible network; supporting a digitally-enabled public service; and providing modern and efficient infrastructure solutions, such as cloud computing.

Created on August 4, 2011, SSC was given a broad mandate to modernize and consolidate the Government of Canada's information technology infrastructure. Today, SSC provides the digital backbone of the federal government, the underpinning for providing essential services and programs to Canadians. SSC delivers network, data centre, email, security and workplace technology to 43 of the larger federal departments and agencies.

The following diagram provides a summary view of the infrastructure layers and services that are in scope for the ITGC assessment.

**Figure 1**



*\*Responsibility over certain infrastructure elements is shared between SSC and its customers in accordance with customer agreements. For instance, for Platform Services (database and middleware services), depending on the customer, some components are fully managed and maintained by SSC while others are only partially managed and maintained by SSC.*

**Annex to the Statement of Management Responsibility Including Internal Control Over  
Financial Reporting – Fiscal Year 2019-20**

There are shared internal control responsibilities under the *Treasury Board Policy on Financial Management*. As a common service provider, SSC is responsible for the assessment of IT general controls for IT infrastructure services provided to customers. Customers are responsible for the assessment of application level controls and general IT controls that support their financial applications.

**3. Departmental assessment results during fiscal year 2019-20 (ICFR)**

During 2019-20, SSC continued to make progress in assessing and improving its key controls. The following table summarizes the department's progress based on the plans identified in the previous fiscal year's Annex.

<b>Progress during the 2019-20 fiscal year</b>	
<b>Element from previous year's action plan</b>	<b>Status</b>
IT general controls over feeder systems: design effectiveness testing, operating effectiveness testing and remediation of deficiencies.	Testing of the IT general controls for the feeder systems have been rescheduled to start after the completion of the assessment of the business processes.
IT general controls over SIGMA: ongoing monitoring activities of key critical controls.	Rotational re-assessment completed for ITGC over SIGMA. No significant remediation required.
Operating expenses and accounts payable: operating effectiveness testing and remediation of deficiencies.	Operating effectiveness testing of expenses and account payable process nearly completed. Assessment of invoice processing for telecommunication expenses is pending the implementation of a redesign of this sub-process. A director led cross-functional working group has been established to identify the process issues.
Revenue and Accounts Receivable: operating effectiveness testing and remediation of deficiencies.	Operating effectiveness testing progressed significantly. Remediation of deficiencies in progress.
Capital assets: design effectiveness testing and remediation of deficiencies.	Design assessment testing has been postponed pending the result of the Enterprise Asset management initiative which is ongoing.
Payroll and benefits: operating effectiveness testing and remediation of deficiencies.	Operating effectiveness testing is substantially advanced. Completion of the testing of the payroll process is pending the remediation of deficiencies and is expected to be completed in 2020-21.

Results regarding design and operating effectiveness testing, ongoing monitoring, and remediation activities of key control areas are detailed below.

### **3.1 Design effectiveness testing of key controls**

In 2018-19, the department postponed the completion of the design effectiveness testing of its capital asset control areas. The department is conducting an Enterprise Asset Management Initiative to review the processes for tracking capital assets through its lifecycle and improve the accuracy of SSC's capital asset information. The testing of the processes to account for capital asset will be performed once the implementation of the redesigned process, planned for 2020-21, is completed.

The testing of the ITGC's over the feeder systems was also postponed pending the completion of the testing of all business process controls.

### **3.2 Operating effectiveness testing of key controls**

In 2019-20, the department made progress in operating effectiveness testing of its Payroll process control area and of its Revenue and Accounts Receivable control area.

As a result of the operating effectiveness testing, the department did not identify any significant deficiency that could lead to material misstatement of its financial statements. Areas of improvement have been identified and action plans are continued to be implemented to:

- Strengthen the performance of account verification and certification over payroll.
- Strengthen the effectiveness of account verification over telecommunication services expenses.
- Improve the retention and filing of supporting documentation and audit trail in corporate repository.

Quality assurance program over payroll has been finalized and partially implemented. The full implementation of the program is expected in 2020-21.

### **3.3 Ongoing monitoring of key controls**

In 2019-20, the department performed ongoing monitoring activities of its Information Technology General Controls (ITGC) over the departmental financial system (SIGMA).

The department did not identify any significant deficiency that could lead to a material misstatement of its financial statements.

## **4. Departmental status and action plan for the next fiscal year and subsequent years (ICFR)**

Building on progress to date, SSC is positioned to advance the full assessment of its system of Internal Control over Financial Reporting in 2020-21, with the exception of capital assets, as the completion of the assessment depends on the progress on the asset baseline project which is underway and will be completed over the next two years. At that time, the department will be applying its rotational ongoing monitoring plan to reassess control performance on a risk basis across all control areas. The status and action plan for the completion of the identified control areas for the next fiscal year and for subsequent years are shown in the table below.

### **4.1 COVID-19 impact on ICFR**

SSC plans to re-evaluate its latest ICFR risk assessment focusing on the control environment and high risk business processes. This re-evaluation will allow the department to determine if COVID-19 has had an impact on their effectiveness. Business processes that have been impacted by COVID-19 have been identified for review in 2020-21.

SSC had one ICFR business process - Financial Close and Reporting (Year-End Close) - that occurred solely post COVID-19. The department plans to review the key controls within this process in 2020-21 to

**Annex to the Statement of Management Responsibility Including Internal Control Over  
Financial Reporting – Fiscal Year 2019-20**

determine if there was a significant change or new risk that would impact the validity, accuracy and completeness of its financial statements.

<b>Status and action plan for the next fiscal year and subsequent years</b>			
<b>Key control areas</b>	<b>Design effectiveness testing and remediation</b>	<b>Operating effectiveness testing and remediation</b>	<b>Ongoing monitoring rotation</b>
Entity-level controls	Completed	Completed	2020-21
ITGC over SIGMA	Completed	Completed	2020-21
ITGC over Feeder Systems <sup>1</sup>	2021-22	2022-23	Future Years
Business Process Controls			
Financial close and reporting	Completed	Completed	2020-21
Operating expenses and accounts payable	Completed	Substantially Completed Except for Telecom invoice processing for future years	2020-21
Revenue and accounts receivable	Completed	Substantially Completed	2021-22
Capital Assets	2020-21	Future Years	Future Years
Payroll and benefits	Completed	Substantially Completed	2021-22

**5. Common Service Provider (CSP) Annual Assessment Results for 2019-20 and Action Plan for Future Years**

SSC provides IT infrastructure services that are delivered to customer organizations that operate IT systems in legacy, partially modernized or fully modernized environments. A legacy environment refers to an older system inherited from a customer that continues to remain vital to the organization. A partially modernized environment refers to a system that contains a mix of older and updated components that are deployed in an enterprise data centre. A fully modernized environment refers to a system that contains updated components that are deployed in an enterprise data centre.

IT general controls are classified as being either customer-specific controls or common controls. Customer-specific controls operate according to legacy processes and procedures in legacy and partially modernized environments. Common controls operate in a common manner according to SSC enterprise-wide processes and procedures. Common controls operate primarily in fully modernized environments, but may also be adopted in a legacy or partially modernized environment.

**5.1 Departmental status and action plan for the next fiscal year and subsequent years (CSP)**

SSC has implemented a multi-year, risk-based assessment plan for IT general controls for IT infrastructure services. The multi-year plan is refreshed on an annual basis.

The results of the current year assessment and future plans are detailed below.

<sup>1</sup> Feeder Systems include : PeopleSoft and Procure-to-Pay (P2P)



**Annex to the Statement of Management Responsibility Including Internal Control Over  
Financial Reporting – Fiscal Year 2019-20**

<b>Status and action plan for the next fiscal year and subsequent years</b>			
<b>Key control areas</b>	<b>Design effectiveness testing and remediation</b>	<b>Operating effectiveness testing and remediation</b>	<b>Ongoing monitoring rotation</b>
Entity level controls	Completed	2023-24	Future Years
Common controls	2020-21	2021-22	Future Years
Customer-specific controls (DFMS <sup>2</sup> ) – Customers with high financial reporting risk	Completed	2021-22	Future Years
Customer-specific controls (DFMS <sup>3</sup> ) – Customers with medium financial reporting risk	2021-22	2023-24	Future Years
Customer-specific controls (GC central systems <sup>4</sup> )	Completed	2022-23	Future Years
Customer-specific controls (high revenue systems <sup>5</sup> )	2021-22	2023-24	Future Years

## **5.2 Departmental assessment results during fiscal year 2019-20 (CSP)**

### **Governance and Planning**

During 2019-20, SSC updated foundational documents that support governance and planning including the scoping and risk assessment report, the ITGC framework and the multi-year assessment plan.

The scoping and risk assessment report was updated to reflect significant changes to infrastructure services, customer risk profiles and new reporting requirements of customers and SSC.

The ITGC framework describes SSC's role as a common service provider of IT infrastructure services and related control objectives and activities supporting internal controls over financial reporting. The document is periodically revised as technologies, processes and customer services evolve that may necessitate the creation of new controls or changes to existing controls.

The ITGC assessment plan outlines the assessments that will be conducted for the period of 2020-21 to 2023-24 and is informed by the scoping and risk assessment report. The plan identifies assessments that add the highest value to the department, customers and the Government of Canada.

<sup>2</sup> Assessment of ITGCs for IT infrastructure services supporting the Departmental Financial and Materiel Management Systems (DFMS) of six customers with high financial reporting risk.

<sup>3</sup> Assessment of ITGCs for IT infrastructure services supporting the Departmental Financial and Materiel Management Systems (DFMS) of several customers with medium financial reporting risk.

<sup>4</sup> Assessment of ITGCs for IT infrastructure services supporting Government of Canada (GC) central systems specific to two customers.

<sup>5</sup> Assessment of ITGCs for IT infrastructure services supporting systems that administer a significant level of revenues specific to one customer.

**Assessment of customer-specific controls (GC central systems)**

During 2019-20, SSC completed design effectiveness testing of customer-specific controls for Information Systems Operations, and IT Infrastructure Implementation and Maintenance over IT infrastructure services supporting the central systems managed by two customers.

There are no significant control observations to note resulting from these two assessments.

**Management action plans in process**

To strengthen logical access management controls and procedures, SSC released an updated Logical Access Control Management Standard during 2019 that articulates requirements to ensure appropriate logical access controls are applied to applications, operating systems and other IT resources. The application of logical access controls contributes to ensuring the confidentiality, integrity and availability of data, and the trusted delivery of IT infrastructure services.

Other management action plans remain in process to address a deficiency in the area of logical access management controls for IT systems and data resulting from of an assessment of customer-specific controls over IT infrastructure services supporting the DFMS of six customers during 2018-19.