



Service | Innovation | Value

SHARED SERVICES CANADA

Financial Statements

March 31, 2016



Shared Services
Canada

Services partagés
Canada

Canada 

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, 2016, 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'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 Performance 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, 2016 was completed in accordance with the Treasury Board *Policy on Internal Control* and the results are summarized in the annex.

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 and Evaluation 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

Ron Parker
President

Ottawa, Canada
September 2, 2016

Original signed by

Alain Duplantie, MBA, CPA, CGA
Senior Assistant Deputy Minister,
Corporate Services and
Chief Financial Officer

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

	<u>2016</u>	<u>2015</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	370,159	412,461
Vacation pay and compensatory leave	28,058	28,473
Deferred revenue (note 5)	3,468	8,092
Lease obligations for tangible capital assets (note 6)	100,398	113,248
Employee future benefits (note 7)	32,605	35,131
Total liabilities	534,688	597,405
Financial assets		
Due from the Consolidated Revenue Fund	308,404	353,649
Accounts receivable and advances (note 8)	203,090	95,170
Total gross financial assets	511,494	448,819
Financial assets held on behalf of Government		
Accounts receivable and advances (note 8)	(1,125)	(1,216)
Total financial assets held on behalf of Government	(1,125)	(1,216)
Total net financial assets	510,369	447,603
Departmental net debt	24,319	149,802
Non-financial assets		
Prepaid expenses	39,500	16,027
Tangible capital assets (note 9)	520,117	494,106
Total non-financial assets	559,617	510,133
Departmental net financial position	535,298	360,331

Contractual obligations (note 10)
Contingent liabilities (note 11)

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

Original signed by

Ron Parker
President

Ottawa, Canada
September 2, 2016

Original signed by

Alain Duplantie, MBA, CPA, CGA
Senior Assistant Deputy Minister,
Corporate Services and
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>2016</u>	<u>2016</u>	<u>2015</u>
	Planned Results		
Expenses			
IT Infrastructure Services	1,634,508	1,786,318	1,812,890
Internal Services	<u>177,639</u>	<u>150,276</u>	<u>161,630</u>
Total expenses	1,812,147	1,936,594	1,974,520
Revenues			
Sale of goods and services	404,144	435,850	406,083
Miscellaneous revenues	97	890	107
Gain on the renewal of the lease obligations for tangible capital assets	-	-	5,750
Revenues earned on behalf of Government	<u>(11,498)</u>	<u>(7,834)</u>	<u>(13,878)</u>
Total revenues	392,743	428,906	398,062
Net cost of operations before government funding and transfers	1,419,404	1,507,688	1,576,458
Government funding and transfers			
Net cash provided by Government of Canada		1,648,847	1,578,307
Change in due from the Consolidated Revenue Fund		(45,245)	20,684
Services provided without charge by other government departments (note 12)		78,959	61,034
Transfer of the transition payments for implementing salary payments in arrears (note 13)		(37)	(16,675)
Transfer of tangible capital assets from other government departments		<u>131</u>	<u>349</u>
Net cost of operations after government funding and transfers		(174,967)	(67,241)
Departmental net financial position – Beginning of year		360,331	293,090
Departmental net financial position – End of year		<u>535,298</u>	<u>360,331</u>

Segmented information (note 14)

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>2016</u>	<u>2015</u>
Net cost of operations after government funding and transfers	(174,967)	(67,241)
Change due to tangible capital assets		
Acquisitions of tangible capital assets	162,897	298,376
Amortization of tangible capital assets	(137,017)	(137,270)
Net loss on disposal of tangible capital assets and adjustments	-	2,724
Transfers from other government departments	131	349
Total change due to tangible capital assets	26,011	164,179
Change due to prepaid expenses	23,473	(11,708)
Net increase (decrease) in departmental net debt	(125,483)	85,230
Departmental net debt – Beginning of year	149,802	64,572
Departmental net debt – End of year	24,319	149,802

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)

	<u>2016</u>	<u>2015</u>
Operating activities		
Net cost of operations before government funding and transfers	1,507,688	1,576,458
Non-cash items:		
Amortization of tangible capital assets	(137,017)	(137,270)
Net loss on disposal of tangible capital assets and adjustments	-	2,724
Services provided without charge by other government departments (note 12)	(78,959)	(61,034)
Transition payments for implementing salary payments in arrears (note 13)	37	16,675
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	108,011	(42,226)
Increase (decrease) in prepaid expenses	23,473	(11,708)
Decrease (increase) in accounts payable and accrued liabilities	42,302	18,575
Decrease (increase) in vacation pay and compensatory leave	415	3,014
Decrease (increase) in deferred revenue	4,624	4,624
Decrease (increase) in employee future benefits	2,526	(5,966)
Cash used in operating activities	1,473,100	1,363,866
Capital investing activities		
Acquisitions of tangible capital assets (excluding leased tangible capital assets)	136,631	181,908
Cash used in capital investing activities	136,631	181,908
Financing activities		
Payments on lease obligations for tangible capital assets	39,116	26,783
Gain on the renewal of the lease obligations for tangible capital assets	-	5,750
Cash used in financing activities	39,116	32,533
Net cash provided by Government of Canada	1,648,847	1,578,307

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

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 Public Services and Procurement Canada. SSC delivers email, data centre, network and workplace technology device services to departments and agencies in a consolidated and standardized manner to support the delivery of Government of Canada programs and services. With a whole-of-government approach to IT infrastructure services, SSC is generating economies of scale to deliver more efficient, reliable and secure IT infrastructure services. SSC also provides certain optional technology services to other organizations on a cost-recovery basis.

SSC's Program Alignment Architecture supports the achievement of the following strategic outcome: *Modern, reliable, secure and cost-effective IT infrastructure services to support government priorities and program delivery.*

SSC's Program Alignment Architecture includes the following programs:

- **Information Technology (IT) Infrastructure Services:** This program delivers IT infrastructure services to federal government departments to enable and support the management, co-ordination and delivery of government programs to Canadians and the achievement of Government of Canada priorities. The IT Infrastructure Services consist of four main IT service groups: (a) Distributed Computing, (b) Production and Operations Computing (Data Centres), (c) Telecommunications (Data, Voice and Video), and (d) Cyber and IT Security. This program establishes a centralized common IT infrastructure service leading to consolidation and standardization in the management and delivery of IT services across the mandated partner and client organizations. This consolidation and standardization of services contributes to greater operational efficiencies and economies of scale, resulting in better value to Canadian taxpayers, enhanced reliability and security of the IT services, a reduction in the duplication of effort and managerial oversight, and the development of a harmonized response to partner and client organizations' business requirements.
- **Internal Services:** Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal Services include only those activities and resources that apply across an organization, not those provided to a specific program. The groups of activities 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 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

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 *2015-16 Report on Plans and Priorities*. 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 *2015-16 Report on Plans and Priorities*.

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 accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Funds that have been received in advance are recorded as deferred revenue, provided SSC has an obligation to other parties for the provision of goods, services or the use of assets in the future.

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 in reduction of SSC’s gross revenues.

e) Expenses

Expenses are recorded on the accrual basis:

Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.

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

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 estimated cost.

f) Employee future benefits

- **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.
- **Severance benefits:** Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees 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

All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. SSC does not hold, and therefore does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections.

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 40 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 capital asset class in the year that 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

i) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

j) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. 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.

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>2016</u>	<u>2015</u>
	<i>(in thousands of dollars)</i>	
Net cost of operations before government funding and transfers	1,507,688	1,576,458
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(137,017)	(137,270)
Net loss on disposal of tangible capital assets and adjustments	-	2,724
Services provided without charge by other government departments	(78,959)	(61,034)
Decrease (increase) in vacation pay and compensatory leave	415	3,014
Decrease (increase) in employee future benefits	2,526	(6,079)
Bad debt expense	1	(5)
Refunds and adjustments to previous years' expenses	6,247	26,283
Respendable revenue	4,081	4,631
Other	-	2
Total items affecting net cost of operations but not affecting authorities	<u>(202,706)</u>	<u>(167,734)</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets (excluding leased tangible capital assets)	136,631	181,908
Payments on lease obligations for tangible capital assets	39,116	26,783
Transition payments for implementing salary payments in arrears	37	16,675
Increase (decrease) in accounts receivable for salary overpayments	205	-
Increase (decrease) in prepaid expenses	23,473	(11,708)
Total items not affecting net cost of operations but affecting authorities	<u>199,462</u>	<u>213,658</u>
Current year authorities used	<u>1,504,444</u>	<u>1,622,382</u>

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

b) Authorities provided and used

	<u>2016</u>	<u>2015</u>
	<i>(in thousands of dollars)</i>	
Authorities provided:		
Vote 1 – Operating expenditures	1,229,510	1,306,834
Vote 5 – Capital expenditures	268,799	282,891
Statutory amounts	83,398	87,675
Less:		
Lapsed: Operating expenditures	(28,495)	(18,534)
Lapsed: Capital expenditures	(48,768)	(36,484)
Current year authorities used	<u>1,504,444</u>	<u>1,622,382</u>

4. Accounts payable and accrued liabilities

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

	<u>2016</u>	<u>2015</u>
	<i>(in thousands of dollars)</i>	
Accounts payable - Other government departments and agencies	33,464	29,714
Accounts payable - External parties	161,418	182,325
Total accounts payable	<u>194,882</u>	<u>212,039</u>
Accrued liabilities	175,277	200,422
Total accounts payable and accrued liabilities	<u>370,159</u>	<u>412,461</u>

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:

	<u>2016</u>	<u>2015</u>
	<i>(in thousands of dollars)</i>	
Opening balance	8,092	12,716
Revenue recognized	(4,624)	(4,624)
Net closing balance	<u>3,468</u>	<u>8,092</u>

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 \$185 million and accumulated amortization of \$86 million as at March 31, 2016 (\$159 million and \$44 million respectively as at March 31, 2015). The obligations related to the upcoming years include the following:

	2016	2015
	<i>(in thousands of dollars)</i>	
2016	-	32,140
2017	44,194	30,994
2018	36,343	30,843
2019	20,677	20,677
Total future minimum lease payments	101,214	114,654
Less: imputed interest (0.65% to 1.3%)	816	1,406
Balance of obligations under leased tangible capital assets	100,398	113,248

7. 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 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 2015-16 expense amounts to \$56 million (\$58 million in 2014-15). For Group 1 members, the expense represents approximately 1.25 times (1.41 times in 2014-15) the employees' contributions and, for Group 2 members, approximately 1.24 times (1.39 times in 2014-15) the employees' contributions.

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.

b) Severance benefits

SSC provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012.

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

Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

Information about the severance benefits, measured as at March 31, is as follows:

	<u>2016</u>	<u>2015</u>
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation - Beginning of year	35,131	29,165
Expense for the year	327	10,454
Benefits paid during the year	(2,853)	(4,488)
Accrued benefit obligation - End of year	32,605	35,131

8. Accounts receivable and advances

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

	<u>2016</u>	<u>2015</u>
	<i>(in thousands of dollars)</i>	
Receivables - Other government departments and agencies	196,194	88,491
Receivables – External parties	6,866	6,663
Employee advances	34	21
Subtotal	203,094	95,175
Allowance for doubtful accounts on receivables from external parties	(4)	(5)
Gross accounts receivable and advances	203,090	95,170
Accounts receivable held on behalf of Government	(1,125)	(1,216)
Net accounts receivable and advances	201,965	93,954

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

9. Tangible capital assets

(in thousands of dollars)

Capital Asset Class	Cost					Accumulated amortization					Net Book Value	
	Opening Balance	Acquisitions	Adjustments	Disposals and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments	Disposals and Write-offs	Closing Balance	2016	2015
Buildings	3,085	-	-	-	3,085	2,151	103	-	-	2,254	831	934
Works and infrastructure	1,310	-	-	-	1,310	13	53	-	-	66	1,244	1,297
Machinery and equipment	52,819	40	37	-	52,896	31,993	3,683	10	-	35,686	17,210	20,826
Computer hardware	1,073,137	70,682	288	-	1,144,107	846,985	81,196	110	-	928,291	215,816	226,152
Computer software	134,595	2,241	8,808	-	145,644	126,301	5,784	-	-	132,085	13,559	8,294
Vehicles	25	33	-	-	58	11	4	-	-	15	43	14
Leasehold improvements	16,838	4,127	8,123	-	29,088	12,781	4,026	5,135	-	21,942	7,146	4,057
Leased tangible capital assets	159,001	26,266	-	-	185,267	44,100	42,168	-	-	86,268	98,999	114,901
Assets under construction	117,631	59,508	(11,870)	-	165,269	-	-	-	-	-	165,269	117,631
Total	1,558,441	162,897	5,386	-	1,726,724	1,064,335	137,017	5,255	-	1,206,607	520,117	494,106

Adjustments include assets under construction of \$11.9 million that were transferred to the other categories upon completion of the assets.

During the year, SSC received machinery and equipment, computer hardware and leasehold improvements from other government departments with a net book value of \$0.1 million. These transfers are included in the adjustment columns.

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

10. Contractual obligations

The nature of SSC's activities can 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>	2017	2018	2019	2020	2021 and thereafter	Total
Acquisition of goods and services	41,574	195,741	193,178	126,776	227,813	785,082
Total	41,574	195,741	193,178	126,776	227,813	785,082

11. Contingent liabilities

Claims have been made against SSC in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. 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 amount to approximately \$2.7 million at March 31, 2016 (\$2.7 million at March 31, 2015).

12. Related party transactions

As a result of common ownership, SSC is related to all government departments, agencies, and Crown corporations. SSC enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, SSC received common services which were obtained without charge from other government departments and provided common services without charge to other government departments as disclosed below.

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

	2016	2015
	<i>(in thousands of dollars)</i>	
Employer's contribution to the health and dental insurance plans	43,820	43,331
Accommodation	35,139	17,703
Total	78,959	61,034

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

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 related parties

	2016	2015
	<i>(in thousands of dollars)</i>	
Expenses – Services provided to SSC by other government departments and agencies	207,582	237,172
Revenues – Services provided by SSC to other government departments and agencies	427,212	398,036

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

13. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014-15. As a result, a one-time payment was issued to employees and will be recovered from them in the future. Employees that were on leave without pay when the initial one-time transition payments were issued will receive the transition payment shortly after their return to work from their leave without pay. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of the Department. However, it did result in the use of additional spending authorities by the Department. Prior to year-end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Services and Procurement Canada, who is responsible for the administration of the Government pay system.

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

14. Segmented information

Presentation by segment is based on SSC's Program Alignment Architecture. 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 programs, 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>	IT Infrastructure Services	Internal Services	2016 Total	2015 Total
Operating expenses				
Salaries and employee benefits	533,672	89,059	622,731	652,214
Telecommunications	475,605	133	475,738	453,769
Rentals	259,558	2,991	262,549	246,471
Professional and special services	138,670	33,924	172,594	202,877
Amortization of tangible capital assets	132,407	4,610	137,017	137,270
Machinery and equipment	119,586	2,317	121,903	142,307
Repairs and maintenance	84,364	229	84,593	84,071
Accommodation	30,382	14,932	45,314	35,318
Utilities, materials and supplies	6,455	415	6,870	7,264
Transportation	3,609	1,067	4,676	4,827
Interest on capital lease payments	723	-	723	414
Information	106	473	579	312
Loss on disposal of tangible capital assets	-	-	-	6,338
Other expenses	1,181	126	1,307	1,068
Total operating expenses	1,786,318	150,276	1,936,594	1,974,520
Revenues				
Sale of goods and services	435,849	1	435,850	406,083
Miscellaneous revenues	884	6	890	107
Gain on the renewal of the lease obligations for tangible capital assets	-	-	-	5,750
Revenues earned on behalf of Government	(7,828)	(6)	(7,834)	(13,878)
Total revenues	428,905	1	428,906	398,062
Net cost of operations before government funding and transfers	1,357,413	150,275	1,507,688	1,576,458

**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, 2016**

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting – Fiscal Year 2015-16

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, 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 [2015-16 Departmental Performance Report](#) and the [2016-17 Report on Plans and Priorities](#).

2. Departmental system of internal control over financial reporting

2.1 Internal control management

SSC has a well-established 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 and departmental senior management and, as applicable, the Departmental Audit and Evaluation Committee.

The Departmental Audit and Evaluation 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 Arrangements

- Public Services and Procurement Canada (PSPC) centrally administers the payments of salaries and the procurement of goods and services as per the delegation of authority of other government organizations. PSPC also administers the Receiver General Centrals Systems used by the department to process treasury-related and salary-related transactions;
- The Treasury Board of Canada Secretariat provides SSC with information used to calculate various accruals and allowances, such as the accrued severance liability; and
- The Department of Justice provides legal services to SSC.

Specific Arrangements

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

SSC provides information technology (IT) infrastructure services to partner organizations in the areas of data centres, networks and IT security services.

3. Departmental assessment results during fiscal year 2015-16

To satisfy the requirements of the Policy on Internal Control (PIC), the department continued with its implementation of PIC and with its plan to carry out documentation, design effectiveness testing and operating effectiveness testing for the assessment of Internal Control over Financial Reporting (ICFR) in key control areas consisting of Entity-Level Controls (ELCs), Information Technology General Controls (ITGCs) and Business Process Controls (BPCs). Ongoing monitoring of key controls will be implemented following the completion of design and operating effectiveness testing, including the remediation of deficiencies.

3.1 Design effectiveness testing of key controls

In 2015-16, in accordance with the multi-year departmental plan, SSC completed the design effectiveness testing of key controls for its departmental ELCs and its ITGCs over the departmental financial and materiel management system (SAP). As a result of design effectiveness testing, SSC identified some control deficiencies that will require remediation. However the department did not identify any significant deficiency that could lead to material misstatement of its Financial Statements.

3.2 Operating effectiveness testing of key controls

In accordance with the multi-year departmental action plan, operating effectiveness testing of key controls is scheduled to commence in 2016-17.

3.3 Ongoing monitoring of key controls

In accordance with the multi-year departmental action plan, ongoing monitoring of key controls is scheduled to commence in 2017-18.

4. Departmental action plan

As a young department, SSC is focused on meeting the PIC requirements and as such, continued to make progress on its implementation. However, progress will be affected by the continuing evolution of SSC's business processes and systems in an environment of significant transformation, such as the implementation of a procure to pay system and the government-wide transformation of pay initiative.

4.1 Progress during fiscal year 2015-16

During 2015-16, 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.

**Annex to the Statement of Management Responsibility Including Internal Control Over
Financial Reporting – Fiscal Year 2015-16**

Progress During Fiscal Year 2015-16

Element in previous year's action plan	Status
Award contract for professional services;	Contract awarded as planned.
Complete the scoping and risk assessment to confirm key business processes and sub-processes;	Completed as planned.
Develop a detailed ICFR assessment plan;	Completed as planned.
Complete documentation and design effectiveness testing of key entity level controls; and	Completed as planned and remedial actions identified.
Complete documentation and design effectiveness testing for SSC's ITGC's over SAP financial system.	Completed as planned and remedial actions identified.

4.2 Status and action plan for the next fiscal year and subsequent years

SSC is planning to complete the assessment of its system of ICFR for most key control areas by 2017-18. At that time, the Department will be applying its risk-based ongoing monitoring plan to reassess control performance in key control areas. The status and action plan for the completion of the identified key control areas for the next fiscal year and for subsequent years are shown in the following table.

Status and Action Plan for the Next Fiscal Year and Subsequent Years

Key control area	Documentation	Design effectiveness testing	Operational effectiveness testing	Ongoing monitoring
Entity-level controls	Completed	Completed	2016-17	2017-18
ITGCs over SIGMA	Completed	Completed	2016-17	2017-18
ITGCs over feeder systems	2017-18	2017-18	2017-18	2018-19
Business process controls				
Financial Close and Reporting	2016-17	2016-17	2017-18	2018-19
Operating expenses and Accounts Payable	2016-17	2016-17	2017-18	2018-19
Revenue and Accounts Receivable	2016-17	2016-17	2017-18	2017-18
Capital Assets	2017-18	2017-18	2018-19	2018-19
Payroll and Benefits (Note 1)	2016-17	2016-17	2017-18	2018-19

Notes:

(1) Phoenix, the new central pay system was rolled out at SSC in February 2016. SSC's PeopleSoft HR system, which is hosted by Agriculture and Agri-Food Canada, will be updated and integrated with Phoenix.