

Shared Services Canada

Financial Statements

March 31, 2023



Shared Services
Canada

Services partagés
Canada

Canada

Powering world-class technology for Government

**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, 2023, 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, 2023 was completed in accordance with the Treasury Board *Policy on Financial Management* and the results and action plans are summarized in the annex.

The 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 advises the President regarding management's responsibilities for maintaining adequate control systems, the quality of financial reporting, and the financial statements.

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

Original signed by Scott Jones for

**Sony Perron
President**

Ottawa, Canada
September 1, 2023

Original signed by

**Scott Davis, CPA
Assistant Deputy Minister and
Chief Financial Officer**

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

	2023	2022
Liabilities		
Accounts payable and accrued liabilities (note 4)	461,742	465,123
Vacation pay and compensatory leave	68,493	75,549
Lease obligations for tangible capital assets (note 5)	126,513	198,172
Obligation under public-private partnership (note 6)	109,592	113,358
Employee future benefits (note 7)	24,051	25,738
Total liabilities	790,391	877,940
Financial assets		
Due from the Consolidated Revenue Fund	343,661	260,145
Accounts receivable and advances (note 8)	186,555	272,506
Total gross financial assets	530,216	532,651
Financial assets held on behalf of Government		
Accounts receivable and advances (note 8)	(5,052)	(8,572)
Total financial assets held on behalf of Government	(5,052)	(8,572)
Total net financial assets	525,164	524,079
Departmental net debt	265,227	353,861
Non-financial assets		
Prepaid expenses	158,536	91,396
Inventory (note 9)	8,122	6,105
Tangible capital assets (note 10)	980,384	1,144,425
Total non-financial assets	1,147,042	1,241,926
Departmental net financial position	881,815	888,065

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 Scott Jones for

Sony Perron
President

Ottawa, Canada
September 1, 2023

Original signed by

Scott Davis, CPA
Assistant Deputy Minister 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>2023</u>	<u>2023</u>	<u>2022</u>
	Planned Results		
Expenses			
Common Government of Canada IT Operations	3,204,101	3,188,495	3,026,314
Internal Services	<u>263,699</u>	<u>362,649</u>	<u>316,386</u>
Total expenses	3,467,800	3,551,144	3,342,700
Revenues			
Sale of goods and services	798,860	931,882	988,674
Miscellaneous revenues	455	378	155
Revenues earned on behalf of Government	<u>(11,780)</u>	<u>(40,150)</u>	<u>(41,395)</u>
Total revenues	787,535	892,110	947,434
Net cost of operations before government funding and transfers	2,680,265	2,659,034	2,395,266
Government funding and transfers			
Net cash provided by Government of Canada		2,453,212	2,096,216
Change in due from the Consolidated Revenue Fund		83,516	(164,916)
Services provided without charge by other government departments (note 13)		116,211	111,776
Net transfer of salary overpayments from (to) other government departments		(192)	146
Transfer of tangible capital assets from other government departments		37	2,449
Transfer of tangible capital assets to other government departments		<u>-</u>	<u>(1,707)</u>
Net cost of operations after government funding and transfers		6,250	351,302
Departmental net financial position – Beginning of year		888,065	1,239,367
Departmental net financial position – End of year		881,815	888,065

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)

	2023	2022
Net cost of operations after government funding and transfers	6,250	351,302
Change due to tangible capital assets		
Acquisitions of tangible capital assets	219,743	355,342
Amortization of tangible capital assets	(372,735)	(425,698)
Net loss on disposal and write-off of tangible capital assets including adjustments	(11,086)	516
Loss on disposal of tangible capital assets due to the termination of lease obligations	-	(14,083)
Transfers from other government departments	37	2,449
Transfers to other government departments	-	(1,707)
Total change due to tangible capital assets	(164,041)	(83,181)
Change due to inventory	2,017	6,105
Change due to prepaid expenses	67,140	(2,440)
Net increase (decrease) in departmental net debt	(88,634)	271,786
Departmental net debt – Beginning of year	353,861	82,075
Departmental net debt – End of year	265,227	353,861

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)

	2023	2022
Operating activities		
Net cost of operations before government funding and transfers	2,659,034	2,395,266
Non-cash items:		
Amortization of tangible capital assets	(372,735)	(425,698)
Net loss on disposal and write-off of tangible capital assets including adjustments	(11,086)	516
Net loss on the termination of lease obligations for tangible capital assets	-	(3,939)
Services provided without charge by other government departments (note 13)	(116,211)	(111,776)
Net transfer of salary overpayments to (from) other government departments	192	(146)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	(82,431)	(203,496)
Increase (decrease) in prepaid expenses	67,140	(2,440)
Increase (decrease) in inventory	2,017	6,105
Decrease (increase) in accounts payable and accrued liabilities	3,381	162,550
Decrease (increase) in vacation pay and compensatory leave	7,056	7,169
Decrease (increase) in employee future benefits	1,687	2,176
Cash used in operating activities	2,158,044	1,826,287
Capital investing activities		
Acquisitions of tangible capital assets (excluding leased tangible capital assets)	219,743	198,312
Cash used in capital investing activities	219,743	198,312
Financing activities		
Payments on lease obligations for tangible capital assets	71,659	67,987
Payments on obligation under public-private partnership	3,766	3,630
Cash used in financing activities	75,425	71,617
Net cash provided by Government of Canada	2,453,212	2,096,216

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
(in thousands of dollars)

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*. SSC is responsible for digitally enabling government programs and services by providing IT services in the domains of networks and network security, data centres and cloud offerings, digital communications and providing IT tools that the public service needs to do its job. As a service provider to over 40 government departments and agencies, SSC is focused on moving toward an IT service delivery model that encourages sharing common solutions and platforms across departments in an effort to reduce the variety of IT solutions across the government. In taking this enterprise approach, SSC is working to solidify network capacity and security, equip and empower employees to collaborate, and support partners in the design and delivery of their digital service offering to Canadians. The Minister of Public Services and Procurement Canada is the Minister responsible for SSC.

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

- **Common Government of Canada IT Operations:** Using a government-wide approach, SSC delivers reliable and secure IT operations, IT infrastructure and communication and workplace technology services that support and enable government-wide programs and digital services for the Public Service.
- **Internal Services:** Internal services are the services that are provided within a department so that it can meet its corporate obligations and deliver its programs. There are 10 categories of internal services: management and oversight services, 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:

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 *2022-23 Departmental Plan*. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental

Shared Services Canada
Notes to the Financial Statements (*Unaudited*)
For the year ended March 31
(in thousands of dollars)

Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the *2022-23 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.

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.

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.

Shared Services Canada
Notes to the Financial Statements (*Unaudited*)
For the year ended March 31
(in thousands of dollars)

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) Inventory

Inventories are valued at cost and are comprised of spare parts and supplies held for future program delivery and are not primarily intended for resale. Inventories that no longer have service potential are valued at the lower of cost or net realizable value.

i) Tangible capital assets

The costs of acquiring land, buildings, equipment, and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described below. All tangible capital assets and leasehold improvements having an initial cost of ten thousand 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.

j) 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 fails 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.

Shared Services Canada
Notes to the Financial Statements (*Unaudited*)
For the year ended March 31
(in thousands of dollars)

k) 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 fails to occur, the contingent asset is disclosed in the notes to the financial statements.

l) 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.

m) 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
(in thousands of dollars)

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>2023</u>	<u>2022</u>
Net cost of operations before government funding and transfers	2,659,034	2,395,266
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(372,735)	(425,698)
Net loss on disposal and write-off of tangible capital assets including adjustments	(11,086)	516
Net loss on the termination of lease obligations for tangible capital assets	-	(3,939)
Services provided without charge by other government departments	(116,211)	(111,776)
Decrease (increase) in vacation pay and compensatory leave	7,056	7,169
Decrease (increase) in employee future benefits	1,687	2,176
Decrease (increase) in accrued liabilities not charged to authorities	(550)	10,249
Bad debt expense	(1)	-
Refunds and adjustments to previous years' expenses	6,308	10,216
Respendable revenue	(1,865)	296
Other	53	36
Total items affecting net cost of operations but not affecting authorities	(487,344)	(510,755)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets (excluding leased tangible capital assets)	219,743	198,312
Payments on lease obligations for tangible capital assets	71,659	67,987
Payments on obligation under public-private partnership	3,766	3,630
Increase (decrease) in accounts receivable for salary overpayments	1,955	2,759
Net increase (decrease) in prepaid expenses and advances	67,271	(1,150)
Increase (decrease) in inventory	2,017	6,105
Total items not affecting net cost of operations but affecting authorities	366,411	277,643
Current year authorities used	<u><u>2,538,101</u></u>	<u><u>2,162,154</u></u>

Shared Services Canada
Notes to the Financial Statements (Unaudited)
For the year ended March 31
(in thousands of dollars)

b) Authorities provided and used

	2023	2022
Authorities provided:		
Vote 1 – Operating expenditures	2,409,243	1,969,432
Vote 5 – Capital expenditures	353,729	338,380
Statutory amounts	126,957	116,475
Less:		
Lapsed: Operating expenditures	(242,416)	(147,356)
Lapsed: Capital expenditures	(109,412)	(114,777)
Current year authorities used	2,538,101	2,162,154

4. Accounts payable and accrued liabilities

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

	2023	2022
Accounts payable - Other government departments and agencies	31,781	54,491
Accounts payable - External parties	291,799	271,902
Total accounts payable	323,580	326,393
Accrued liabilities	138,162	138,730
Total accounts payable and accrued liabilities	461,742	465,123

5. Lease obligations for tangible capital assets

SSC has entered into agreements to lease certain computer hardware under capital leases with a cost of \$356,581 and accumulated amortization of \$221,690 as at March 31, 2023 (\$356,581 and \$155,825 respectively as at March 31, 2022). The obligations related to the upcoming years include the following:

	2023	2022
2023	-	75,736
2024	70,434	70,434
2025	51,517	51,517
2026	7,844	7,844
Total future minimum lease payments	129,795	205,531
Less: imputed interest (1.44% to 3.07%)	3,282	7,359
Balance of obligations under leased tangible capital assets	126,513	198,172

Shared Services Canada
Notes to the Financial Statements (Unaudited)
For the year ended March 31
(in thousands of dollars)

6. 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 and accumulated amortization of \$14,053 as at March 31, 2023 (\$153,304 and \$10,987 respectively as at March 31, 2022). The obligations related to the upcoming years include the following:

	2023	2022
2023	-	7,867
2024	7,867	7,867
2025	7,867	7,867
2026	7,867	7,867
2027	7,867	7,867
2028	7,867	7,867
2029 and subsequent	114,425	114,425
Total future minimum lease payments	153,760	161,627
Less: imputed interest (3.67%)	44,168	48,269
Balance of obligation under public-private partnership	109,592	113,358

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 5 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 2022-23 expense amounts to \$83,464 (\$79,184 in 2021-22). For Group 1 members, the expense represents approximately 1.02 times (1.01 times in 2021-22) the employees' contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2021-22) 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, 2023,

Shared Services Canada
Notes to the Financial Statements (Unaudited)
For the year ended March 31
(in thousands of dollars)

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:

	2023	2022
Accrued benefit obligation - Beginning of year	25,738	27,914
Expense (adjustment) for the year	(131)	(264)
Benefits paid during the year	(1,556)	(1,912)
Accrued benefit obligation - End of year	24,051	25,738

8. Accounts receivable and advances

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

	2023	2022
Receivables - Other government departments and agencies	162,363	245,159
Receivables - External parties	22,806	25,773
Employee advances	1,386	1,574
Gross accounts receivable and advances	186,555	272,506
Accounts receivable held on behalf of Government	(5,052)	(8,572)
Net accounts receivable and advances	181,503	263,934

9. Inventory

The following table presents details of SSC's inventory:

	2023	2022
Inventory held for consumption	8,122	6,105
Total inventory	8,122	6,105

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$4,237 in 2022-23 (\$1,404 in 2021-22).

Shared Services Canada
Notes to the Financial Statements (*Unaudited*)
For the year ended March 31
(in thousands of dollars)

10. Tangible capital assets

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	2023	2022
Buildings	156,389	-	-	-	156,389	13,858	3,169	-	-	17,027	139,362	142,531
Works and infrastructure	1,310	-	-	-	1,310	385	53	-	-	438	872	925
Machinery and equipment	59,337	70	-	88	59,319	51,813	1,090	-	88	52,815	6,504	7,524
Computer hardware	2,827,993	182,749	67,568	15,430	3,062,880	2,199,417	284,533	(327)	15,322	2,468,301	594,579	628,576
Computer software	259,009	546	(400)	64	259,091	243,430	7,861	(47)	63	251,181	7,910	15,579
Vehicles	3,492	464	407	27	4,336	1,520	515	393	15	2,413	1,923	1,972
Leasehold improvements	81,898	13,021	-	1,094	93,825	48,962	9,649	-	1,094	57,517	36,308	32,936
Leased tangible capital assets	356,581	-	-	-	356,581	155,825	65,865	-	-	221,690	134,891	200,756
Assets under construction	113,626	22,893	(78,484)	-	58,035	-	-	-	-	-	58,035	113,626
Total	3,859,635	219,743	(10,909)	16,703	4,051,766	2,715,210	372,735	19	16,582	3,071,382	980,384	1,144,425

(1) Adjustments include assets under construction of \$67,663 that were transferred to the other categories upon completion of the assets.

During the year, SSC received computer hardware and vehicles from other government departments with a net book value of \$37. These transfers are included in the adjustments columns.

Adjustments also include a total net amount of (\$10,965) in post-capitalization and in adjustments of previous years expenses.

Shared Services Canada
Notes to the Financial Statements (*Unaudited*)
For the year ended March 31
(in thousands of dollars)

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:

	2024	2025	2026	2027	2028	2029 and subsequent	Total
Acquisition of goods and services	626,644	345,997	245,936	39,614	18,832	55,607	1,332,630

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. 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 are nil at March 31, 2023 (\$11,250 at March 31, 2022).

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
(in thousands of dollars)

	<u>2023</u>	<u>2022</u>
Employer's contribution to the health and dental insurance plans	75,653	73,692
Accommodation	40,558	38,084
Total	<u>116,211</u>	<u>111,776</u>

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

	<u>2023</u>	<u>2022</u>
Expenses – Services provided to SSC by other government departments and agencies	231,949	217,403
Revenues – Services provided by SSC to other government departments and agencies	926,561	983,391

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

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14. 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:

	Common Government of Canada IT Operations	Internal Services	2023 Total	2022 Total
Operating expenses				
Salaries and employee benefits	846,655	203,794	1,050,449	965,054
Telecommunications	649,443	1,880	651,323	570,090
Rentals	532,792	8,707	541,499	539,872
Professional and special services	370,655	96,684	467,339	425,764
Amortization of tangible capital assets	369,126	3,609	372,735	425,698
Repairs and maintenance	274,153	9,786	283,939	242,662
Machinery and equipment	85,995	19,390	105,385	93,453
Accommodation	32,781	15,826	48,607	48,979
Utilities, materials and supplies	5,830	754	6,584	5,991
Transportation	4,314	1,759	6,073	3,655
Interest on obligation under public-private partnership	4,101	-	4,101	4,236
Interest on capital lease payments	4,076	-	4,076	4,636
Information	3,498	418	3,916	5,820
Loss on disposal and write-off of tangible capital assets	109	12	121	689
Net loss on the termination of lease obligations for tangible capital assets	-	-	-	3,939
Other expenses	4,967	30	4,997	2,162
Total operating expenses	3,188,495	362,649	3,551,144	3,342,700
Revenues				
Sale of goods and services	931,882	-	931,882	988,674
Miscellaneous revenues	316	62	378	155
Revenues earned on behalf of Government	(40,149)	(1)	(40,150)	(41,395)
Total revenues	892,049	61	892,110	947,434
Net cost of operations before government funding and transfers	2,296,446	362,588	2,659,034	2,395,266

15. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

Shared Services Canada
Annex to the Statement of Management Responsibility
including Internal Control over Financial Reporting
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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 management, including financial reporting, as well as information on internal control management, assessment results and related action plans.

Detailed information on the department's authority, mandate and core responsibilities can be found in the [2023-24 Departmental Plan](#) and the *2022-23 Departmental Results Report (DRR)*.

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 comprises:

- Organizational accountability structures as they relate to internal control management to support sound financial management, including the roles and responsibilities of senior departmental managers for control management in their areas of responsibility;
- 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 legislative and policy requirements for sound financial management and control; and
- Monitoring and regular updates on internal control management, as well as provision of related assessment results and action plans to the President, senior departmental management and, as applicable, the Departmental Audit Committee.

The Departmental Audit Committee is an independent advisory committee to the President. It is responsible to provide 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) administers the payment of salaries and the procurement of goods and services, and provides accommodation services;
- The Treasury Board of Canada Secretariat provides information on public sector insurance and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans on behalf of SSC; and
- The Department of Justice provides legal services to SSC.

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Readers of this Annex may refer to the annexes of the above-noted departments 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

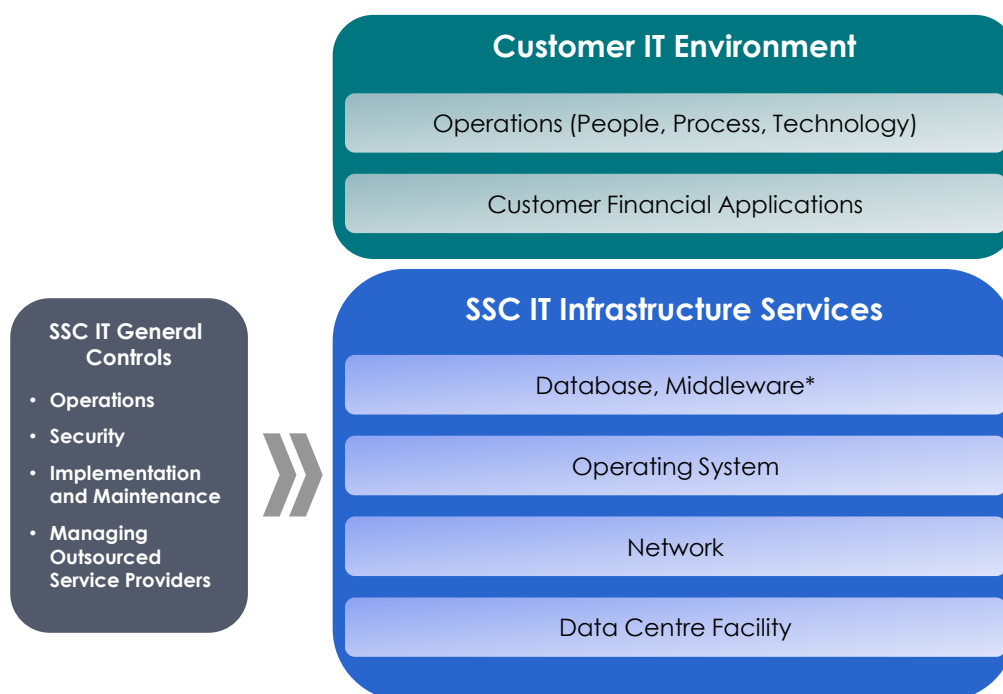
SSC plays a significant role in the delivery of digital government by establishing a reliable, modern, secure and accessible network; supporting a digitally-enabled public service; and providing modern and efficient infrastructure solutions.

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. 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 45 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.

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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.*

3. Departmental assessment results during the 2022-23 fiscal year

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

Progress during the 2022-23 fiscal year

Previous fiscal year's rotational ongoing monitoring plan for the current fiscal year	Status
Entity-level controls – Control environment COSO component	Completed as planned; remediation actions started
Revenue and Accounts Receivable / Revenue Management	Completed as planned; remediation actions started
Payroll and benefits	Completed as planned; remediation actions started
Capital Assets	Completed as planned; remediation actions started

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The key findings and significant adjustments from the current fiscal year's assessment activities are summarized in subsection 3.1.

3.1 New or significantly amended key controls

In the current fiscal year, there were no significantly amended key controls in existing processes that required a reassessment. Significant adjustments were not required for new key controls.

3.2 Ongoing monitoring program

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

- Revenue and accounts receivable / Revenue management; and
- Payroll and benefits.

For the most part, the key controls tested performed as intended and the department did not identify any significant deficiency that could lead to a material misstatement of its financial statements.

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

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

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

Rotational ongoing monitoring plan

Key control areas	2023-24 fiscal year	2024-25 fiscal year	2025-26 fiscal year	2026-27 fiscal year	2027-28 fiscal year
Entity-level controls	X	X		X	X
ITGC over SIGMA	X				X
ITGC over Feeder Systems ¹	X				X
Business Process Controls					
Financial close and reporting		X			
Operating expenses and accounts payable		X			
Revenue and accounts receivable				X	
Capital assets	X			X	

¹ Feeder Systems include PeopleSoft and Procure-to-Pay (P2P).

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Key control areas	2023-24 fiscal year	2024-25 fiscal year	2025-26 fiscal year	2026-27 fiscal year	2027-28 fiscal year
Payroll and benefits			X		

5. Common Service Provider (CSP) Annual Assessment Results for 2022-23 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, while common controls operate according to enterprise-wide processes and procedures using common tools. 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.

Status and action plan for the next fiscal year and subsequent years			
Key control areas	Design effectiveness testing and remediation	Operating effectiveness testing and remediation	Ongoing monitoring rotation
Entity-level controls	Completed	2023-24	Future years
Common controls	Completed	2024-25	Future years
Customer-specific controls (DFMS ²) – Customers with high financial reporting risk	Completed	2024-25	Future years
Customer-specific controls (DFMS ³) – Customers with	2023-24	2025-26	Future years

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

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

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Status and action plan for the next fiscal year and subsequent years			
Key control areas	Design effectiveness testing and remediation	Operating effectiveness testing and remediation	Ongoing monitoring rotation
medium financial reporting risk			
Customer-specific controls (GC central systems ⁴)	Completed	2024-25	Future years
Customer-specific controls (high revenue system ⁵)	Completed	2024-25	Future years

5.2 Departmental assessment results during fiscal year 2022-23 (CSP)

Assessment of customer-specific controls (DFMS, GC central system & high revenue system)

In fiscal year 2022-23, SSC addressed the outstanding management action plans related to the design effectiveness recommendations to strengthen logical access controls within the infrastructure.

The operating effectiveness assessments have started and ongoing work is performed to revalidate the design effectiveness of the previous tested controls to take into account changes in the organization and processes. There are no significant control observations to note.

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

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