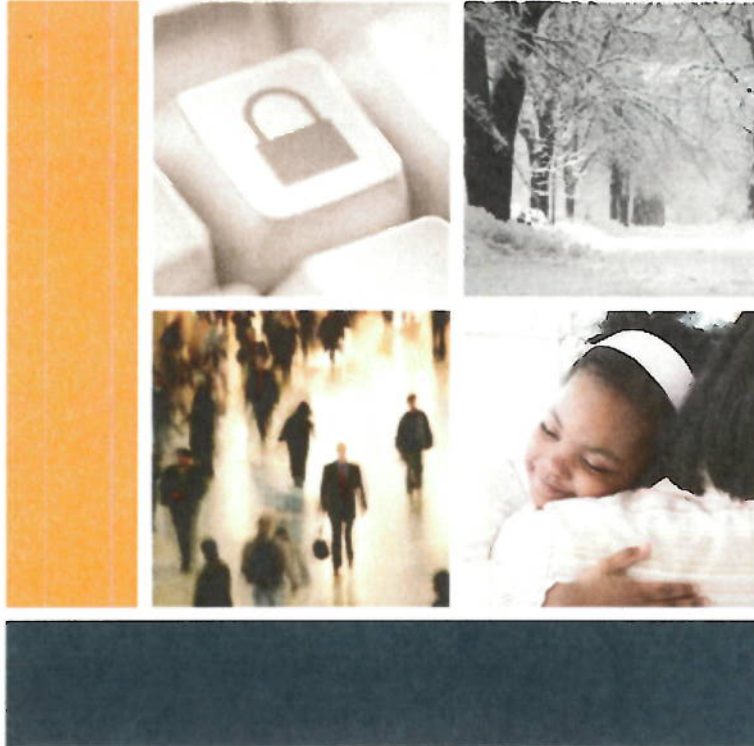




Public Safety  
Canada

Sécurité publique  
Canada

BUILDING A **SAFE AND RESILIENT CANADA**



# FINANCIAL STATEMENTS FOR THE YEAR ENDED

March 31, 2016

Canada

## Public Safety and Emergency Preparedness 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 the Department of Public Safety and Emergency Preparedness Canada (PSEPC). 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 PSEPC's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada and included in PSEPC's *Departmental Performance Report*, is consistent with these financial statements.

Management is also responsible and accountable 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; and through communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood and applied throughout PSEPC 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 and action plans are summarized in the annex.

The effectiveness and adequacy of PSEPC's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of PSEPC's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Minister of PSEPC.

The financial statements of PSEPC have not been audited.

  
\_\_\_\_\_  
**Malcolm Brown**  
Deputy Minister  
Ottawa, Canada

  
\_\_\_\_\_  
**Mark Perlman**  
Chief Financial Officer and Assistant Deputy Minister  
Corporate Management Branch  
Ottawa, Canada

AOUT  
AUG - 8 2016

Date

JUL 27 2016

Date

# Public Safety and Emergency Preparedness Canada

## Statement of Financial Position (Unaudited)

As at March 31


(in thousands of dollars)

	2016	2015
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	274,611	376,568
Vacation pay and compensatory leave	3,840	3,952
Employee future benefits (note 5)	6,329	6,156
Disaster Financial Assistance Arrangements (DFAA) (note 6)	1,976,999	1,655,687
<b>Total liabilities</b>	<b>2,261,779</b>	<b>2,042,363</b>
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	273,186	365,980
Accounts receivable and advances (note 7)	1,954	2,254
<b>Total financial assets</b>	<b>275,140</b>	<b>368,234</b>
<b>Departmental net debt</b>	<b>1,986,639</b>	<b>1,674,129</b>
<b>Non-financial assets</b>		
Tangible capital assets (note 8)	14,818	15,864
<b>Total non-financial assets</b>	<b>14,818</b>	<b>15,864</b>
<b>Departmental net financial position</b>	<b>(1,971,821)</b>	<b>(1,658,265)</b>

Contractual obligations (note 9)

Contingent liabilities (note 10)

The accompanying notes form an integral part of these financial statements

  
**Malcolm Brown**  
Deputy Minister  
Ottawa, Canada

  
**Mark Perlman**  
Chief Financial Officer and Assistant Deputy Minister  
Corporate Management Branch  
Ottawa, Canada

AOUT  
AUG - 8 2016

Date

JUL 27 2016

Date

# Public Safety and Emergency Preparedness Canada

## Statement of Operations and Departmental Net Financial Position (Unaudited)

For the year ended March 31

(in thousands of dollars)

	2016 Planned Results	2016	2015
<b>Expenses</b>			
Emergency Management	528,167	<b>501,115</b>	80,245
Countering Crime	199,892	<b>151,052</b>	155,824
Internal Services	60,847	<b>64,083</b>	61,364
National Security	28,317	<b>27,414</b>	29,085
Border Strategies	4,844	<b>4,343</b>	4,860
<b>Total expenses</b>	<b>822,067</b>	<b>748,007</b>	<b>331,378</b>
<b>Revenues</b>			
Interdepartmental provision of internal support services	2,700	<b>1,782</b>	2,045
Miscellaneous revenues	85	<b>128</b>	100
Revenues earned on behalf of government	(85)	<b>(128)</b>	(100)
<b>Total revenues</b>	<b>2,700</b>	<b>1,782</b>	<b>2,045</b>
<b>Net cost of operations before government funding and transfers</b>	<b>819,367</b>	<b>746,225</b>	<b>329,333</b>
<b>Government funding and transfers</b>			
Net cash provided by Government		<b>504,638</b>	604,715
Change in due from the Consolidated Revenue Fund		<b>(92,794)</b>	169,707
Services provided without charge by other government departments (note 11)		<b>20,873</b>	20,651
Transfer of the transition payments for implementing salary payments in arrears (note 12)		<b>(48)</b>	(3,335)
<b>Net cost of operations after government funding and transfers</b>		<b>313,556</b>	<b>(462,405)</b>
<b>Departmental net financial position – Beginning of year</b>		<b>(1,658,265)</b>	<b>(2,120,670)</b>
<b>Departmental net financial position – End of year</b>		<b>(1,971,821)</b>	<b>(1,658,265)</b>

Segmented information (note 14)

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

## Public Safety and Emergency Preparedness Canada

### Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31

(in thousands of dollars)

	2016	2015
<b>Net cost of operations after government funding and transfers</b>	<b>313,556</b>	<b>(462,405)</b>
<b>Change due to tangible capital assets</b>		
Acquisition of tangible capital assets	1,733	2,185
Amortization of tangible capital assets	(2,779)	(2,641)
<b>Total change due to tangible capital assets</b>	<b>(1,046)</b>	<b>(456)</b>
<b>Net increase (decrease) in departmental net debt due to operations</b>	<b>312,510</b>	<b>(462,861)</b>
<b>Departmental net debt – Beginning of year</b>	<b>1,674,129</b>	<b>2,136,990</b>
<b>Departmental net debt – End of year</b>	<b>1,986,639</b>	<b>1,674,129</b>

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

## Public Safety and Emergency Preparedness Canada

### Statement of Cash Flows (Unaudited)

For the year ended March 31

(in thousands of dollars)

	2016	2015
<b>Operating activities</b>		
Net cost of operations before government funding and transfers	746,225	329,333
<b>Non-cash items:</b>		
Amortization of tangible capital assets	(2,779)	(2,641)
Services provided without charge by other government departments (note 11)	(20,873)	(20,651)
Transition payments for implementing salary payments in arrears (note 12)	48	3,335
<b>Variations in Statement of Financial Position:</b>		
Increase (decrease) in accounts receivable and advances	(300)	98
Decrease (increase) in accounts payable and accrued liabilities	101,957	(66,471)
Decrease (increase) in vacation pay and compensatory leave	112	665
Decrease (increase) in employee future benefits	(173)	(1,081)
Decrease (increase) in DFAA program	(321,312)	359,943
Cash used in operating activities	502,905	602,530
<b>Capital investing activities</b>		
Acquisition of tangible capital assets	1,733	2,185
Cash used in capital investing activities	1,733	2,185
Net cash provided by Government of Canada	504,638	604,715

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

# Public Safety and Emergency Preparedness Canada

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2016

### 1. Authority and objectives

The Department of Public Safety and Emergency Preparedness Canada (PSEPC) was created in 2003 to ensure coordination across all federal departments and agencies responsible for national security and the safety of Canadians. PSEPC operates under the *Department of Public Safety and Emergency Preparedness Act* (2005, c.10) that received Royal assent on March 23, 2005.

PSEPC contributes to the public safety of Canadians through the promotion and maintenance of a just, peaceful and safe society, it has five main core programs:

- **National Security:** Develops and coordinates policy to define and advance Canada's national security objectives;
- **Border Strategies:** Provides federal policy leadership and coordination on a variety of border issues to ensure that security objectives are achieved in a manner that facilitates the flow of legitimate trade and travel, and contributes to the effective management of the Canada-US border agenda;
- **Countering Crime:** Collaborates with regions and communities to build crime prevention programs that are specific and appropriate to them. It provides communities with tools, knowledge and support to implement prevention programs;
- **Emergency Management:** Addresses all-hazards through the development of an integrated emergency management system, legislation and national strategies, training and standards to protect Canada and Canadians; and
- **Internal Services:** Supports the work of all other programs and provides key corporate 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:

#### **(a) Parliamentary authorities**

PSEPC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to PSEPC 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*.

## 2. Summary of significant accounting policies (continued)

### *(b) Net cash provided by government*

PSEPC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by PSEPC is deposited to the CRF, and all cash disbursements made by PSEPC are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

### *(c) Amounts due from/to the CRF*

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that PSEPC is entitled to draw from the CRF 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.

Revenues that are non-respendable are not available to discharge PSEPC's liabilities. While the Deputy Head is expected to maintain accounting control, he has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the PSEPC's gross revenues.

### *(e) Expenses* - Expenses are recorded on the accrual basis:

Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.

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

Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their estimated cost.



## 2. Summary of significant accounting policies (continued)

### *(f) Employee future benefits*

(i) *Pension benefits*: Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government. PSEPC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. PSEPC'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*: 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*

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

### *(h) Contingent liabilities*

Contingent liabilities are potential liabilities which 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 note 10 to the financial statements.

### *(i) 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. PSEPC 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
Computer hardware	4-7 years
Machinery and equipment	5 years
Computer software	3-5 years
Vehicles	3 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement
Other equipment including furniture	5 years

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.

## 2. Summary of significant accounting policies (continued)

### (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 the Disaster Financial Assistance Arrangements Program, 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.

## 3. Parliamentary authorities

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

	2016	2015
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	746,225	329,333
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	(2,779)	(2,641)
Services provided without charge by other government departments	(20,873)	(20,651)
Decrease (increase) in vacation pay and compensatory leave	112	665
Decrease (increase) in employee future benefits	(173)	(1,081)
Refund of prior years' expenditures	882	861
Decrease (increase) in accruals for DFAA	(321,312)	359,943
Adjustments to previous years' payables at year-end	2,920	3,514
	<b>(341,223)</b>	<b>340,610</b>
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Acquisitions of tangible capital assets	1,733	2,185
Transition payments for implementing salary payments in arrears (note 12)	48	3,335
	<b>1,781</b>	<b>5,520</b>
<b>Current year authorities used</b>	<b>406,783</b>	<b>675,463</b>

# Public Safety and Emergency Preparedness Canada

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2016

### 3. Parliamentary authorities (continued)

*(b) Authorities provided and used:*

	2016	2015
	(in thousands of dollars)	
Authorities provided:		
<i>Vote 1 - Operating expenditures</i>	125,904	125,824
<i>Vote 5 - Grants &amp; Contributions</i>	1,005,557	1,046,154
Salary and motor car allowance	82	80
Contributions to employee benefits plan	13,949	13,611
	<b>1,145,492</b>	<b>1,185,669</b>
Less:		
Lapsed: Operating and transfer payments	<b>(738,709)</b>	<b>(510,206)</b>
<b>Current year authorities used</b>	<b>406,783</b>	<b>675,463</b>

### 4. Accounts payable and accrued liabilities

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

	2016	2015
	(in thousands of dollars)	
Accounts payable - Other government departments and agencies	1,701	1,999
Accounts payable - External parties	267,443	370,178
<b>Total accounts payable</b>	<b>269,144</b>	<b>372,177</b>
Accrued liabilities	5,467	4,391
<b>Total accounts payable and accrued liabilities</b>	<b>274,611</b>	<b>376,568</b>

### 5. Employee future benefits

*(a) Pension benefits*

PSEPC'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 PSEPC 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.

# Public Safety and Emergency Preparedness Canada

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2016

### 5. Employee future benefits (continued)

The 2015-2016 expense amounts to \$9,614,892 (\$9,304,268 in 2014-2015). For Group 1 members, the expense represents approximately 1.25 times (1.41 times in 2014-2015) the employee contributions and, for Group 2 members, approximately 1.24 times (1.39 times in 2014-2015) the employee contributions.

PSEPC'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*

PSEPC 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. Information about the severance benefits, measured as at March 31, are as follows:

	2016	2015
	(in thousands of dollars)	
<b>Accrued benefit obligation - Beginning of year</b>	<b>6,156</b>	5,075
Expense for the year	<b>1,002</b>	2,160
Benefits paid during the year	<b>(829)</b>	(1,079)
<b>Accrued benefit obligation - End of year</b>	<b>6,329</b>	6,156

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. 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.

## Public Safety and Emergency Preparedness Canada

### Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2016

#### 6. Disaster Financial Assistance Arrangements (DFAA)

In the event of a natural disaster in Canada, the federal government provides financial assistance to provincial and territorial governments through the Disaster Financial Assistance Arrangements program to help meet the basic costs of response and recovery when such expenditures exceed what an individual province or territory could reasonably be expected to bear on its own. The current outstanding liabilities of \$1,976,999,000 is the estimated cost to PSEPC of 62 natural disaster events for which the Federal Government has agreed to share the costs and final payments have not yet been made.

	2016	2015
	(in thousands of dollars)	
Opening balance	1,655,687	2,015,630
Disbursements	(139,348)	(305,272)
Accrued expenses for the year	460,660	(54,671)
<b>Closing balance</b>	<b>1,976,999</b>	<b>1,655,687</b>

#### 7. Accounts receivable and advances

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

	2016	2015
	(in thousands of dollars)	
Receivables – Other government departments and agencies	1,472	1,587
Receivables – External parties	547	738
Employee advances	15	9
Subtotal	2,034	2,334
Allowance for doubtful accounts on receivables from external parties	(80)	(80)
<b>Total accounts receivable and advances</b>	<b>1,954</b>	<b>2,254</b>

For the year ended March 31, 2016

(in thousands of dollars)

**8. Tangible capital assets**

Capital asset class	Cost				Accumulated amortization				Net book value	
	Opening balance	Acquisitions	Disposals and write-offs	Closing balance	Opening balance	Amortization	Disposals and write-offs	Closing balance	2016	2015
Computer hardware	5,199	1,124	0	6,323	4,741	196	0	4,937	1,386	458
Machinery and equipment	16	0	0	16	10	2	0	12	4	6
Computer software	907	609	0	1,516	280	147	0	427	1,089	627
Other equipment including furniture	1,405	0	0	1,405	995	261	0	1,256	149	410
Vehicles	235	0	(98)	137	181	24	(98)	107	30	54
Leasehold improvements	26,419	0	0	26,419	12,110	2,149	0	14,259	12,160	14,309
<b>Total</b>	<b>34,181</b>	<b>1,733</b>	<b>(98)</b>	<b>35,816</b>	<b>18,317</b>	<b>2,779</b>	<b>(98)</b>	<b>20,998</b>	<b>14,818</b>	<b>15,864</b>

For the year ended March 31, 2016

**9. Contractual obligations**

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

Contractual obligations	Fiscal Year						Total
	2017	2018	2019	2020	2021	2022	
Transfer payments	(in thousands of dollars)						
	138,845	100,627	20,405	9,606	1,105	279	<b>270,867</b>

**10. Contingent liabilities*****Claims and litigation***

Claims have been made against PSEPC 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. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$77,110 (\$77,110 in 2014-2015) at March 31, 2016.

**11. Related party transactions**

PSEPC is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. PSEPC enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, PSEPC has agreements with Correctional Services Canada and with Royal Canadian Mounted Police related to the provision of human resources and finance system services. During the year, PSEPC received common services which were obtained without charge from other Government departments as disclosed below:

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

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

For the year ended March 31, 2016

**11. Related party transactions (continued)**

	2016	2015
	(in thousands of dollars)	
Accommodation	11,676	11,974
Employer's contribution to the health and dental insurance plans	7,785	7,110
Legal services	1,402	1,558
Workers' compensation	10	9
<b>Total</b>	<b>20,873</b>	<b>20,651</b>

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common services organization so that one department performs services for all other departments and agencies without charge. The costs of these services, such as payroll and cheque issuance services provided by Public Services and Procurement Canada and audit services provided by the Office of the Auditor General are not included in PSEPC's Statement of Operations and Departmental Net Financial Position.

**(b) Other transactions with related parties**

	2016	2015
	(in thousands of dollars)	
Accounts receivable – Other government departments and agencies	1,472	1,587
Accounts payable – Other government departments and agencies	1,701	1,999
Expenses – Other government departments and agencies	14,556	17,210
Revenues – Other government departments and agencies	1,782	2,045

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

**12. Transfer of the transition payments for implementing salary payments in arrears**

The Government of Canada implemented salary payments in arrears in 2014-2015. As a result, a one-time payment was issued to employees and will be recovered from them in the future. 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, along with the creation of an interim account receivable. Prior to year end, this interim account receivable was transferred to Public Services and Procurement Canada, who is responsible for the administration of the Government pay system.



For the year ended March 31, 2016

**13. Transfer payments**

The following table presents details of transfer payments as follows:

	<b>2016</b>	2015
	(in thousands of dollars)	
Payments to territorial governments for operating expenditures	<b>9,744</b>	62,266
Payments to other levels of government	<b>463,777</b>	(4,240)
Payments to Native peoples	<b>86,399</b>	87,526
Payments to non-profit organizations	<b>30,359</b>	30,277
Other transfer to other countries and international organizations	<b>143</b>	
<b>Total</b>	<b>590,422</b>	175,829

# Public Safety and Emergency Preparedness Canada

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2016

### 14. Segmented information

Presentation by segment is based on PSEPC'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 revenue generated for the main programs, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

Expenses	(in thousands of dollars)					2016	2015
	National Security	Emergency Management	Countering Crime	Border Strategies	Internal Services	Total	Total
Transfer payments	1,860	465,930	122,632	0	0	590,422	175,829
<b>Operating expenses</b>							
Salaries and employee benefits	18,656	25,483	22,096	3,326	41,875	111,436	106,284
Professional and special services	2,266	3,735	2,906	254	8,760	17,921	19,015
Accommodation	1,955	2,691	2,331	348	7,466	14,791	14,577
Equipment	510	239	40	14	1,174	1,977	1,699
Travel and relocation	802	1,277	806	138	392	3,415	3,156
Information	546	41	112	86	1,076	1,861	5,850
Amortization	432	1,159	2	0	1,186	2,779	2,641
Equipment rentals	165	244	63	0	804	1,276	938
Repairs	5	147	1	0	551	704	384
Utilities, material and supplies	210	124	61	177	683	1,255	869
Communication	5	45	2	0	112	164	136
Miscellaneous	2	0	0	0	4	6	0
<b>Total operating expenses</b>	<b>25,554</b>	<b>35,185</b>	<b>28,420</b>	<b>4,343</b>	<b>64,083</b>	<b>157,585</b>	<b>155,549</b>
<b>Total expenses</b>	<b>27,414</b>	<b>501,115</b>	<b>151,052</b>	<b>4,343</b>	<b>64,083</b>	<b>748,007</b>	<b>331,378</b>
<b>Revenues</b>							
Interdepartmental provision of internal support services	0	0	0	0	1,782	1,782	2,045
Miscellaneous revenues			75		53	128	100
Revenues earned on behalf of government			(75)		(53)	(128)	(100)
<b>Total revenues</b>			<b>0</b>		<b>1,782</b>	<b>1,782</b>	<b>2,045</b>
<b>Net cost of operations before government funding and transfers</b>	<b>27,414</b>	<b>501,115</b>	<b>151,052</b>	<b>4,343</b>	<b>62,301</b>	<b>746,225</b>	<b>329,333</b>

# Public Safety and Emergency Preparedness Canada

## Annex to the Statement of Management Responsibility

### 1. Introduction

This document provides summary information on the measures taken by Public Safety and Emergency Preparedness Canada (PSEPC) to maintain an effective system of internal control over financial reporting (ICFR), including information on internal control management and assessment results and related action plans.

Detailed information on the Department's authority, mandate and program activities can be found in the [2014-15 Departmental Performance Report](#) and the [2016-2017 Report on Plans and Priorities](#).

### 2. Departmental System of Internal Control Over Financial Reporting

#### 2.1 Internal Control Management

Public Safety and Emergency Preparedness Canada has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. The Departmental Financial Management Control Framework, approved by the Deputy Minister, is in place and includes:

- Organizational accountability structures as they relate to internal control management to support sound financial management including roles and responsibilities for senior managers in their areas of responsibility for control management;
- Values and ethics which is further supported by a specific departmental code of conduct;
- On-going communication and training on statutory requirements, policies and procedures for sound financial management and control; and
- Monitoring and regular updates at least semi-annually on internal control management plus assessment results and action plans to the Deputy Minister, departmental senior management and the Departmental Audit Committee (DAC).

The Departmental Audit Committee provides advice to the Deputy Head on the adequacy and functioning of the department's risk management, control and governance frameworks and processes.

#### 2.2 Service Arrangements Relevant to Financial Statements

Public Safety and Emergency Preparedness Canada relies on other organizations for the processing of certain transactions that are recorded in its financial statements as follows:

# Public Safety and Emergency Preparedness Canada

## Annex to the Statement of Management Responsibility

### Common Arrangements:

- Public Services and Procurement Canada centrally administers the payments of salaries and the procurement of goods and services, as per Public Safety and Emergency Preparedness Canada's Delegation of Authority, and provides accommodations services;
- Treasury Board Secretariat provides Public Safety and Emergency Preparedness Canada with information used to calculate various accruals and allowances, such as, accrued severance pay;
- Employment and Social Development Canada provides Worker's Compensation coverage;
- The Department of Justice provides legal services to Public Safety and Emergency Preparedness Canada;
- Shared Services Canada provides information technology infrastructure services to Public Safety and Emergency Preparedness Canada in the areas of e-mail, data centre and network services; and
- Public Safety and Emergency Preparedness Canada relies on the internal controls of third party suppliers which provide specific services such as relocation services.

### Specific Arrangements:

- Public Safety and Emergency Preparedness Canada's systems of record are provided by the Royal Canadian Mounted Police, who hosts the Department's financial management system, and by Correctional Services of Canada, who hosts the Department's human resources information management system. Memoranda of Understanding exists between Public Safety and Emergency Preparedness Canada and these agencies, identifying respective roles and responsibilities; and
- Public Safety and Emergency Preparedness Canada provides corporate services to three Public Safety Portfolio Agencies: the Office of the Correctional Investigator, the Royal Canadian Mounted Police External Review Committee and the Civilian Review and Complaints Commission for the Royal Canadian Mounted Police. Memoranda of Understanding exist between Public Safety and Emergency Preparedness Canada and each of these agencies, identifying respective roles and responsibilities.

**3. Departmental Assessment Results During Fiscal Year 2015-16**

The key findings and significant adjustments required from the current year's assessment activities are summarized below.

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

**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 capital expenditures, grants and contributions, Disaster Financial Assistance Arrangements, financial close and reporting, and operating expenditures. For the most part, the key controls that were tested performed as intended, with remediation required as follows:

- The department will look for opportunities to include pertinent financial information in current departmental asset tracking systems. The lack of such information creates difficulties in accurately and consistently valuating an asset at the time of disposal or write-off. Information systems should be enhanced to allow them to capture the required information and to produce the necessary reports. If necessary, exploring other options such as new software or implementing the asset module in SAP may be a solution to maintaining the integrity of this information.
- The Internal Control Unit noted that certain documentation was not available to support the consistent operating effectiveness of certain key controls. This was predominantly observed in Travel related transactions.

Reports and action plans addressing recommendations have been developed and the department has already initiated a course of action to remediate these control deficiencies.

# Public Safety and Emergency Preparedness Canada

## Annex to the Statement of Management Responsibility

### 4. Departmental Action Plan

#### 4.1 Progress During Fiscal Year 2015-16

Public Safety and Emergency Preparedness Canada continued to conduct its ongoing monitoring according to the previous fiscal year's rotational plan as shown in the following table.

Progress During Fiscal Year 2015-16	
Previous year's rotational ongoing monitoring plan for current year	Status
Capital expenditures	Completed as planned; remedial actions started.
Grants and Contributions & Disaster Financial Assistance Arrangements (DFAA)	Completed as planned; no remedial actions required.
Financial Close	Completed as planned; no remedial actions required.
Operating Expenditures (Procure to Payment)	Completed as planned; remedial actions started.

In 2015-16, the department conducted the following work in addition to the progress made in ongoing monitoring:

- Established a framework and a number of enhanced controls to the management accounts receivable, overpayments, recoveries and the writing off of debt/uncollectibles.
- Reviewed the Financial and Human Resources delegation of authority instruments with a view towards:
  1. Identifying and creating opportunities to formally extend delegated financial and HR authorities to Middle Managers
  2. Ensuring that delegated signing authorities are pushed down to the lowest level allowed by legislation, regulation and policy
  3. Moving delegations down to the front-line in order to streamline processes and approvals

# Public Safety and Emergency Preparedness Canada

## Annex to the Statement of Management Responsibility

### 4.2 Action Plan for the Next Fiscal Year and Subsequent Years

Public Safety and Emergency Preparedness Canada's rotational ongoing monitoring plan over the next three years, based on an annual validation of the high-risk processes and controls and related adjustments to the ongoing monitoring plan as required, is shown in the following table.

**Rotational Ongoing Monitoring Plan**

Key control areas	Fiscal year 2016-17	Fiscal year 2017-18	Fiscal Year 2018-19
Entity-level controls	Yes	Yes	Yes
IT general controls under departmental management	No	Yes	No
Grants and contributions & Disaster Financial Assistance Arrangements	Yes	Yes	Yes
Operating expenditures	Yes	Yes	Yes
Capital expenditures	No	No	Yes
Financial close	No	No	Yes
Payroll	Yes	Yes	No
Revenue	Yes	No	No

In addition to the ongoing monitoring rotational plan, Public Safety and Emergency Preparedness Canada plans to defer control work and testing related to the payroll transformation initiative until the system has been fully implemented and operating efficiently for a period of time.