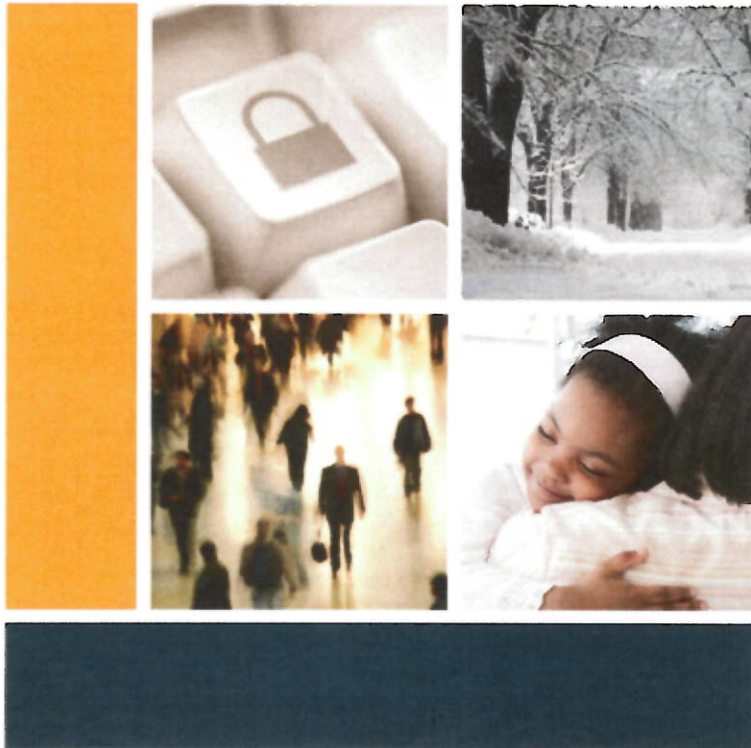




Public Safety
Canada

Sécurité publique
Canada

BUILDING A **SAFE AND RESILIENT CANADA**



FINANCIAL STATEMENTS FOR THE YEAR ENDED

March 31, 2014

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, 2014, 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, 2014 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.

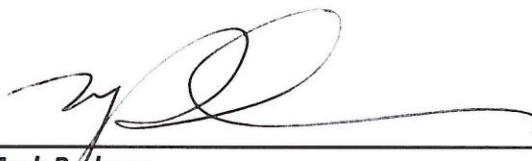
The financial statements of PSEPC have not been audited.



François Guimont
Deputy Minister
Ottawa, Canada

25.08.2014

Date



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

August 16, 2014

Date

Public Safety and Emergency Preparedness Canada

Statement of Financial Position (Unaudited)

As at March 31

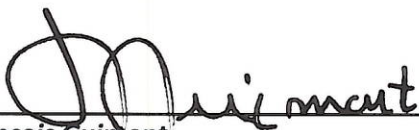
(in thousands of dollars)

	2014	2013
Liabilities		
Accounts payable and accrued liabilities (note 4)	310,097	336,372
Vacation pay and compensatory leave	4,617	4,794
Employee future benefits (note 5)	5,075	9,111
Disaster Financial Assistance Arrangements (DFAA) (note 6)	2,015,630	1,130,940
Total liabilities	2,335,419	1,481,217
Financial assets		
Due from Consolidated Revenue Fund	196,273	194,846
Accounts receivable and advances (note 7)	2,156	963
Total financial assets	198,429	195,809
Departmental net debt	2,136,990	1,285,408
Non-financial assets		
Tangible capital assets (note 8)	16,320	16,700
Total non-financial assets	16,320	16,700
Departmental net financial position	(2,120,670)	(1,268,708)

Contractual obligations (note 9)

Contingent liabilities (note 10)

The accompanying notes form an integral part of these financial statements



François Guimont
Deputy Minister
Ottawa, Canada

25.08.2014

Date



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

August 16, 2014

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)

	2014 Planned Results	2014	2013
Expenses			
Emergency Management	68,566	1,967,384	141,270
Countering Crime	192,070	165,153	162,355
Internal Services	64,576	70,257	72,019
National Security	29,408	28,999	32,230
Border Strategies	4,642	5,118	4,864
Total expenses	359,262	2,236,911	412,738
Revenues			
Interdepartmental provision of internal support services	2,570	2,549	2,245
Miscellaneous revenues	81	163	81
Revenues earned on behalf of government	(81)	(163)	(81)
Total revenues	2,570	2,549	2,245
Net cost of operations before government funding and transfers	356,692	2,234,362	410,493
Government funding and transfers			
Net cash provided by Government	439,709	1,360,373	434,236
Change in due from the Consolidated Revenue Fund	358	1,427	22,688
Services provided without charge by other government departments (note 11)	17,396	20,596	20,422
Transfer of assets and liabilities from (to) other government departments	0	4	(76)
Net cost of operations after government funding and transfers	(100,771)	851,962	(66,777)
Departmental net financial position - Beginning of year	(1,048,493)	(1,268,708)	(1,335,485)
Departmental net financial position - End of year	(947,722)	(2,120,670)	(1,268,708)

Segmented information (note 13)

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)

	2014 Planned Results	2014	2013
Net cost of operations after government funding and transfers	(100,771)	851,962	(66,777)
Change due to tangible capital assets			
Acquisition of tangible capital assets	2,525	1,930	3,259
Amortization of tangible capital assets	(2,989)	(2,314)	(1,745)
Transfer from other government departments	0	4	26
Total change due to tangible capital assets	(464)	(380)	1,540
Net increase (decrease) in departmental net debt due to operations	(101,235)	851,582	(65,237)
Departmental net debt - Beginning of year	1,066,904	1,285,408	1,350,645
Departmental net debt - End of year	965,669	2,136,990	1,285,408

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)

	2014	2013
Operating activities		
Net cost of operations before government funding and transfers	2,234,362	410,493
Non-cash items:		
Amortization of tangible capital assets	(2,314)	(1,745)
Services provided without charge by other government departments (note 11)	(20,596)	(20,422)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	1,193	(108)
Decrease (increase) in accounts payable and accrued liabilities	26,275	(125,538)
Decrease (increase) in vacation pay and compensatory leave	177	(1,062)
Decrease (increase) in employee future benefits	4,036	346
Decrease (increase) in DFAA program	(884,690)	168,911
Transfer of liabilities to other government departments	0	102
Cash used in operating activities	1,358,443	430,977
Capital investing activities		
Acquisition of tangible capital assets	1,930	3,259
Cash used in capital investing activities	1,930	3,259
Net cash provided by Government of Canada	1,360,373	434,236

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

For the year ended March 31, 2014

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. 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 Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt are the amounts reported in the future-oriented financial statements included in the *2013-14 Report on Plans and Priorities*.

2. 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.

2. Significant accounting policies (continued)

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.

(f) Employee future benefits

(i) *Pension benefits*: Eligible employees participate in the Public Service Pension Plan, a multi-employer 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.

For the year ended March 31, 2014

2. Significant accounting policies (continued)

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 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.

(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:

Public Safety and Emergency Preparedness Canada

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2014

3. Parliamentary authorities (continued)

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

	2014	2013
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	2,234,362	410,493
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	(2,314)	(1,745)
Services provided without charge by other government departments	(20,596)	(20,422)
Decrease (increase) in vacation pay and compensatory leave	177	(1,062)
Decrease in employee future benefits	4,036	346
Bad debt expense	(8)	1,825
Refund of prior years' expenditures	658	(1,220)
Decrease (increase) in accruals for DFAA	(884,690)	168,911
Adjustments to previous years' payables at year-end	7,695	23,889
	(895,042)	170,522
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Acquisitions of tangible capital assets	1,930	3,259
	1,930	3,259
Current year authorities used	1,341,250	584,274

(b) Authorities provided and used:

	2014	2013
	(in thousands of dollars)	
<i>Vote 1 - Operating expenditures</i>	137,564	139,312
<i>Vote 5 - Grants & Contributions</i>	1,218,688	479,441
Salary and motor car allowance	78	78
Contributions to employee benefits plan	15,605	15,634
	1,371,935	634,465
Less:		
Lapsed: Operating and transfer payments	(30,685)	(50,191)
Current year authorities used	1,341,250	584,274

For the year ended March 31, 2014

4. Accounts payable and accrued liabilities

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

	2014	2013
	(in thousands of dollars)	
Accounts payable - Other government departments and agencies	2,308	2,740
Accounts payable - External parties	306,617	332,772
Total accounts payable	308,925	335,512
Accrued liabilities	1,172	860
Total accounts payable and accrued liabilities	310,097	336,372

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.

The 2013-2014 expense amounts to \$10,971,962 (\$11,162,790 in 2012-2013). For Group 1 members, the expense represents approximately 1.6 times (1.7 times in 2012-2013) the employee contributions and, for Group 2 members, approximately 1.5 times (1.6 times in 2012-2013) 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.

For the year ended March 31, 2014

5. Employee future benefits (continued)**(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:

	2014	2013
	(in thousands of dollars)	
Accrued benefit obligation - Beginning of year	9,111	9,457
Expense for the year	(470)	1,827
Benefits paid during the year	(3,566)	(2,173)
Accrued benefit obligation - End of year	5,075	9,111

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.

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 \$2,015,630,000 is the estimated cost to PSEPC of 65 natural disaster events for which the Federal Government has agreed to share the costs and final payments have not yet been made.

	2014	2013
	(in thousands of dollars)	
Opening balance	1,130,940	1,299,851
Disbursements	(1,018,988)	(279,949)
Accrued expenses for the year	1,903,678	111,038
Closing balance	2,015,630	1,130,940

For the year ended March 31, 2014

7. Accounts receivable and advances

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

	2014	2013
	(in thousands of dollars)	
Receivables – Other government departments and agencies	1,602	833
Receivables – External parties	627	198
Employee advances	14	12
Subtotal	2,243	1,043
Allowance for doubtful accounts on receivables from external parties	(87)	(80)
Total accounts receivable and advances	2,156	963

8. Tangible capital assets

Capital asset class	Cost			Accumulated amortization				Net book value		
	Opening balance	Acquisitions	Adjustments (1)	Closing balance	Opening balance	Amortization	Adjustments (1)	Closing balance	2014	2013
Computer hardware	5,169	20	0	5,189	4,168	299	0	4,467	722	1,001
Machinery and equipment	16	0	0	16	6	2	0	8	8	10
Computer software	214	370	0	584	188	10	0	198	386	26
Other equipment including furniture	1,405	0	0	1,405	451	280	0	731	674	954
Vehicles	175	30	28	233	129	27	24	180	53	46
Leasehold improvements	22,812	1,510	275	24,597	8,424	1,696	0	10,120	14,477	14,388
Assets under construction	275	0	(275)	0	0	0	0	0	0	275
Total	30,066	1,930	28	32,024	13,366	2,314	24	15,704	16,320	16,700

(1) Adjustments include

- Assets under construction of \$275,000 that were transferred to other categories upon completion of the assets; and
- A vehicle with a net book value of \$4,000 transferred from Veteran Affairs.

For the year ended March 31, 2014

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
	2015	2016	2017	2018	2019	
	(in thousands of dollars)					
Transfer payments	131,629	25,692	22,813	22,377	5,089	207,600

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 \$165,000 (\$1,750,000 in 2012-2013) at March 31, 2014.

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:

Public Safety and Emergency Preparedness Canada

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2014

11. Related party transactions (continued)

	2014	2013
	(in thousands of dollars)	
Accommodation	10,929	10,268
Employer's contribution to the health and dental insurance plans	7,748	8,571
Legal services	1,910	1,576
Workers' compensation	9	7
Total	20,596	20,422

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 Works and Government Services 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

	2014	2013
	(in thousands of dollars)	
Accounts receivable – Other government departments and agencies	1,602	833
Accounts payable – Other government departments and agencies	2,308	2,740
Expenses - Other government departments and agencies	10,714	10,125
Revenues – Other government departments and agencies	2,549	2,245

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

12. Transfer payments

The following table presents details of transfer payments as follows:

	2014	2013
	(in thousands of dollars)	
Payments to territorial governments for operating expenditures	26,667	(10,741)
Payments to persons	0	6,600
Payments to other levels of government	1,919,312	127,083
Payments to Native peoples	92,032	88,611
Payments to non-profit organizations	31,121	33,686
Total	2,069,132	245,239

Public Safety and Emergency Preparedness Canada

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2014

(in thousands of dollars)

13. 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						2014	2013
	National Security	Border Strategies	Countering Crime	Emergency Management	Internal Services	Total	Total
Transfer payments	2,652	0	127,382	1,939,098	0	2,069,132	245,239
Operating expenses							
Salaries and employee benefits	19,016	3,517	25,201	21,984	46,333	116,051	120,174
Professional and special services	2,222	306	4,047	2,688	10,423	19,686	19,556
Accommodation	1,726	345	2,441	2,186	6,444	13,142	13,274
Equipment	1,059	137	87	250	1,493	3,026	4,293
Travel and relocation	927	312	1,118	588	543	3,488	4,277
Information	898	16	4,578	1	902	6,395	2,288
Amortization	13	0	2	163	2,136	2,314	1,745
Equipment rentals	32	98	95	91	651	967	1,518
Repairs	402	0	0	229	751	1,382	1,152
Utilities, material and supplies	50	386	85	72	486	1,079	708
Communication	2	1	12	34	95	144	282
Miscellaneous	0	0	97	0	0	97	57
Bad debt expense	0	0	8	0	0	8	(1,825)
Total operating expenses	26,347	5,118	37,771	28,286	70,257	167,779	167,499
Total expenses	28,999	5,118	165,153	1,967,384	70,257	2,236,911	412,738
Revenues							
Interdepartmental provision of internal support services	0	0	0	0	2,549	2,549	2,245
Miscellaneous revenues	2	0	3	0	158	163	81
Revenues earned on behalf of Government	(2)	0	(3)	0	(158)	(163)	(81)
Total revenues	0	0	0	0	2,549	2,549	2,245
Net cost of operations before government funding and transfers	28,999	5,118	165,153	1,967,384	67,708	2,234,362	410,493

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 PSEPC's authority, mandate and program activities can be found in the 2013-14 Departmental Performance Report and the [2014-2015 Report on Plans and Priorities](#).

SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal Control Management

PSEPC 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 PSEPC's risk management, control and governance frameworks and processes.

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Service Arrangements Relevant to Financial Statements

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

Common Arrangements:

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

Specific Arrangements:

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

DEPARTMENTAL ASSESSMENT RESULTS DURING FISCAL YEAR 2013-2014

During fiscal year 2013-2014, PSEPC accelerated key process design effectiveness and operating effectiveness testing of key control areas. On-going monitoring will be implemented in fiscal year 2014-15, following completion of effectiveness testing.

Design Effectiveness of Key Controls

During fiscal year 2013-2014, PSEPC undertook design effectiveness testing of financial statement preparation and entity level controls. As a result of design effectiveness testing, PSEPC identified that there were no significant design gaps.

Operating Effectiveness of Key Controls

During fiscal year 2013-2014, PSEPC completed operating effectiveness testing of processes related to Capitalization of Assets, Financial Statement Preparation, Information Technology General Controls and Entity Level Controls. As a result of operating effectiveness testing, PSEPC identified the following required remediation:

- Greater consistency in the quality and availability of control documentation and procedures related to capital assets, including the finalization and approval of a departmental Capital Asset Policy.
- Improvements in documentation and supporting evidence for controls within the Financial Statement Preparation.
- Greater consistency and documentation relating to user access requests/updates and removals from the financial system concerning IT general controls.
- Provide further evidence to support the effective operation of the controls referenced for Entity Level Controls.

Required remediation has been completed for Financial Statement Preparation, IT General Controls, and Entity Level Controls with remediation still in progress for Capitalization of Assets.

On-Going Monitoring of Key Controls

During fiscal year 2013-2014, PSEPC did not plan any monitoring activities. PSEPC will begin on-going monitoring of key controls in the first quarter of fiscal year 2014-15.

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DEPARTMENTAL ACTION PLAN

Progress During Fiscal Year 2013-2014

During fiscal year 2013-2014, PSEPC continued to make significant progress in assessing and improving its key controls. Of note, PSEPC has completed operating effectiveness testing of all processes identified. Below is a summary of the progress made by PSEPC based on the plans identified in the previous year's annex.

Element in Previous Year's Action Plan	Status
Entity Level Controls – Design and operating effectiveness testing	Testing and Remediation Completed
Information Technology General Controls under Departmental Management - Operating effectiveness testing	Testing and Remediation Completed
Capital Assets – Operational effectiveness testing	Testing Completed, Remediation in progress
Financial Close and Reporting – Design and operating effectiveness testing	Testing and Remediation Completed

Status and Action Plan for the Next and Subsequent Fiscal Years

In 2014-15, PSEPC will commence on-going monitoring on a quarterly basis to reassess control performance on a risk basis across all control areas. The status and action plan for the completion of the identified control areas for the next fiscal year and subsequent fiscal years is as follows:

Key Control Area	Assessment Elements			
	Design Effectiveness Testing	Operational Effectiveness Testing	Remediation	On-Going Monitoring Rotation ¹
Entity Level Controls	Completed	Completed	Completed	2014-2015
Information Technology General Controls under Departmental Management	Completed	Completed	Completed	2014-2015
Capital Assets	Completed	Completed	2014-2015	2015-2016
Purchase to Pay	Completed	Completed	Completed	2014-2015
Disaster Financial Assistance Arrangements	Completed	Completed	Completed	2014-2015
Grants and Contributions	Completed	Completed	Completed	2014-2015
Payroll and Benefits	Completed	Completed	Completed	2014-2015
Financial Close and Reporting	Completed	Completed	Completed	2015-2016

¹ The frequency of the on-going monitoring of key control areas is risk-based and may occur over a multi-year cycle as identified in the internal control framework