



Public Safety
Canada

Sécurité publique
Canada

BUILDING A **SAFE AND RESILIENT CANADA**



FINANCIAL STATEMENTS FOR THE YEAR ENDED

March 31, 2015

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, 2015, 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, 2015 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.

Original signed by François Guimont

Original signed by Mark Perlman

François Guimont

Deputy Minister

Mark Perlman

Chief Financial Officer and Assistant Deputy Minister
Corporate Management Branch

Ottawa, Canada

August 12, 2015

Public Safety and Emergency Preparedness Canada

Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)

2015 2014

Liabilities

Accounts payable and accrued liabilities (note 4)	376,568	310,097
Vacation pay and compensatory leave	3,952	4,617
Employee future benefits (note 5)	6,156	5,075
Disaster Financial Assistance Arrangements (DFAA) (note 6)	1,655,687	2,015,630

Total liabilities 2,042,363 2,335,419

Financial assets

Due from Consolidated Revenue Fund	365,980	196,273
Accounts receivable and advances (note 7)	2,254	2,156

Total financial assets 368,234 198,429

Departmental net debt 1,674,129 2,136,990

Non-financial assets

Tangible capital assets (note 8)	15,864	16,320
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Total non-financial assets 15,864 16,320

Departmental net financial position (1,658,265) (2,120,670)

Contractual obligations (note 9)

Contingent liabilities (note 10)

The accompanying notes form an integral part of these financial statements

Original signed by François Guimont

Original signed by Mark Perlman

François Guimont

Deputy Minister

Mark Perlman

Chief Financial Officer and Assistant Deputy Minister
Corporate Management Branch

Ottawa, Canada

August 12, 2015

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)

	2015 Planned Results	2015	2014
Expenses			
Countering Crime	207,346	155,824	165,153
Emergency Management	320,577	80,245	1,967,384
Internal Services	59,246	61,364	70,257
National Security	29,354	29,085	28,999
Border Strategies	4,258	4,860	5,118
Total expenses	620,781	331,378	2,236,911
Revenues			
Interdepartmental provision of internal support services	2,700	2,045	2,549
Miscellaneous revenues	85	100	163
Revenues earned on behalf of government	(85)	(100)	(163)
Total revenues	2,700	2,045	2,549
Net cost of operations before government funding and transfers	618,081	329,333	2,234,362
Government funding and transfers			
Net cash provided by Government		604,715	1,360,373
Change in due from the Consolidated Revenue Fund		169,707	1,427
Services provided without charge by other government departments (note 11)		20,651	20,596
Transfer of the transition payments for implementing salary payments in arrears (note 12)		(3,335)	0
Transfer of assets and liabilities from (to) other government departments		0	4
Net cost of operations after government funding and transfers		(462,405)	851,962
Departmental net financial position – Beginning of year		(2,120,670)	(1,268,708)
Departmental net financial position – End of year		(1,658,265)	(2,120,670)

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)

	2015	2014
Net cost of operations after government funding and transfers	(462,405)	851,962
Change due to tangible capital assets		
Acquisition of tangible capital assets	2,185	1,930
Amortization of tangible capital assets	(2,641)	(2,314)
Transfer from other government departments	0	4
Total change due to tangible capital assets	(456)	(380)
Net increase (decrease) in departmental net debt due to operations	(462,861)	851,582
Departmental net debt – Beginning of year	2,136,990	1,285,408
Departmental net debt – End of year	1,674,129	2,136,990

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)

	2015	2014
Operating activities		
Net cost of operations before government funding and transfers	329,333	2,234,362
Non-cash items:		
Amortization of tangible capital assets	(2,641)	(2,314)
Services provided without charge by other government departments (note 11)	(20,651)	(20,596)
Transition payments for implementing salary payments in arrears (note 12)	3,335	0
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	98	1,193
Decrease (increase) in accounts payable and accrued liabilities	(66,471)	26,275
Decrease (increase) in vacation pay and compensatory leave	665	177
Decrease (increase) in employee future benefits	(1,081)	4,036
Decrease (increase) in DFAA program	359,943	(884,690)
Cash used in operating activities	602,530	1,358,443
Capital investing activities		
Acquisition of tangible capital assets	2,185	1,930
Cash used in capital investing activities	2,185	1,930
Net cash provided by Government of Canada	604,715	1,360,373

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, 2015

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 *2014-15 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 *2014-15 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.

For the year ended March 31, 2015

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

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.

For the year ended March 31, 2015

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:

	2015	2014
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	329,333	2,234,362
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	(2,641)	(2,314)
Services provided without charge by other government departments	(20,651)	(20,596)
Decrease (increase) in vacation pay and compensatory leave	665	177
Decrease (increase) in employee future benefits	(1,081)	4,036
Bad debt expense	0	(8)
Refund of prior years' expenditures	861	658
Decrease (increase) in accruals for DFAA	359,943	(884,690)
Adjustments to previous years' payables at year-end	3,514	7,695
	340,610	(895,042)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Acquisitions of tangible capital assets	2,185	1,930
Transition payments for implementing salary payments in arrears	3,335	0
	5,520	1,930
Current year authorities used	675,463	1,341,250

Public Safety and Emergency Preparedness Canada

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2015

3. Parliamentary authorities (continued)

(b) Authorities provided and used:

	2015	2014
	(in thousands of dollars)	
Authorities provided:		
Vote 1 - Operating expenditures	125,824	137,564
Vote 5 - Grants & Contributions	1,046,154	1,218,688
Salary and motor car allowance	80	78
Contributions to employee benefits plan	13,611	15,605
	1,185,669	1,371,935
Less:		
Lapsed: Operating and transfer payments	(510,206)	(30,685)
Current year authorities used	675,463	1,341,250

4. Accounts payable and accrued liabilities

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

	2015	2014
	(in thousands of dollars)	
Accounts payable - Other government departments and agencies	1,999	2,308
Accounts payable - External parties	370,178	306,617
Total accounts payable	372,177	308,925
Accrued liabilities	4,391	1,172
Total accounts payable and accrued liabilities	376,568	310,097

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.

For the year ended March 31, 2015

5. Employee future benefits (continued)

The 2014-2015 expense amounts to \$9,304,268 (\$10,971,962 in 2013-2014). For Group 1 members, the expense represents approximately 1.41 times (1.6 times in 2013-2014) the employee contributions and, for Group 2 members, approximately 1.39 times (1.5 times in 2013-2014) 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:

	2015	2014
	(in thousands of dollars)	
Accrued benefit obligation - Beginning of year	5,075	9,111
Expense for the year	2,160	(470)
Benefits paid during the year	(1,079)	(3,566)
Accrued benefit obligation - End of year	6,156	5,075

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.

For the year ended March 31, 2015

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 \$1,655,687,000 is the estimated cost to PSEPC of 68 natural disaster events for which the Federal Government has agreed to share the costs and final payments have not yet been made.

	2015	2014
	(in thousands of dollars)	
Opening balance	2,015,630	1,130,940
Disbursements	(305,272)	(1,018,988)
Accrued expenses for the year	(54,671)	1,903,678
Closing balance	1,655,687	2,015,630

7. Accounts receivable and advances

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

	2015	2014
	(in thousands of dollars)	
Receivables – Other government departments and agencies	1,587	1,602
Receivables – External parties	738	627
Employee advances	9	14
Subtotal	2,334	2,243
Allowance for doubtful accounts on receivables from external parties	(80)	(87)
Total accounts receivable and advances	2,254	2,156

Public Safety and Emergency Preparedness Canada

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2015

(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	2015	2014
Computer hardware	5,189	10	0	5,199	4,467	274	0	4,741	458	722
Machinery and equipment	16	0	0	16	8	2	0	10	6	8
Computer software	584	323	0	907	198	82	0	280	627	386
Other equipment including furniture	1,405	0	0	1,405	731	264	0	995	410	674
Vehicles	233	30	(28)	235	180	29	(28)	181	54	53
Leasehold improvements	24,597	1,822	0	26,419	10,120	1,990	0	12,110	14,309	14,477
Total	32,024	2,185	(28)	34,181	15,704	2,641	(28)	18,317	15,864	16,320

For the year ended March 31, 2015

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
	2016	2017	2018	2019	2020	
	(in thousands of dollars)					
Transfer payments	74,454	68,685	68,410	13,895	3,214	228,658

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 (\$165,000 in 2013-2014) at March 31, 2015.

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, 2015

11. Related party transactions (continued)

	2015	2014
	(in thousands of dollars)	
Accommodation	11,974	10,929
Employer's contribution to the health and dental insurance plans	7,110	7,748
Legal services	1,558	1,910
Workers' compensation	9	9
Total	20,651	20,596

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

	2015	2014
	(in thousands of dollars)	
Accounts receivable – Other government departments and agencies	1,587	1,602
Accounts payable – Other government departments and agencies	1,999	2,308
Expenses – Other government departments and agencies	17,210	10,714
Revenues – Other government departments and agencies	2,045	2,549

Expenses and revenues disclosed in (b) exclude common services provided without charge, 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 2014-15. 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 Works and Government Services Canada, who is responsible for the administration of the Government pay system.

Public Safety and Emergency Preparedness Canada

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2015

13. Transfer payments

The following table presents details of transfer payments as follows:

	2015	2014
	(in thousands of dollars)	
Payments to territorial governments for operating expenditures	62,266	26,667
Payments to other levels of government	(4,240)	1,919,312
Payments to Native peoples	87,526	92,032
Payments to non-profit organizations	30,277	31,121
Total	175,829	2,069,132

Public Safety and Emergency Preparedness Canada

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2015

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)					2015	2014
	National Security	Border Strategies	Countering Crime	Emergency Management	Internal Services	Total	Total
Transfer payments	2,327	0	122,181	51,321	0	175,829	2,069,132
Operating expenses							
Salaries and employee benefits	20,038	3,431	22,746	21,978	38,091	106,284	116,051
Professional and special services	1,772	692	3,370	3,215	9,966	19,015	19,686
Accommodation	2,246	370	2,586	2,484	6,891	14,577	13,142
Equipment	320	5	38	232	1,104	1,699	3,026
Travel and relocation	879	265	925	648	439	3,156	3,488
Information	937	44	3,777	23	1,069	5,850	6,395
Amortization	330	10	2	109	2,190	2,641	2,314
Equipment rentals	158	35	110	41	594	938	967
Repairs	3	0	0	58	323	384	1,382
Utilities, material and supplies	74	8	85	89	613	869	1,079
Communication	1	0	4	47	84	136	144
Miscellaneous	0	0	0	0	0	0	97
Bad debt expense	0	0	0	0	0	0	8
Total operating expenses	26,758	4,860	33,643	28,924	61,364	155,549	167,779
Total expenses	29,085	4,860	155,824	80,245	61,364	331,378	2,236,911
Revenues							
Interdepartmental provision of internal support services	0	0	0	0	2,045	2,045	2,549
Miscellaneous revenues	0	0	4	0	96	100	163
Revenues earned on behalf of government	0	0	(4)	0	(96)	(100)	(163)
Total revenues	0	0	0	0	2,045	2,045	2,549
Net cost of operations before government funding and transfers	29,085	4,860	155,824	80,245	59,319	329,333	2,234,362

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 [2015-2016 Report on Plans and Priorities](#).

2. Departmental system of internal control over financial reporting

2.1 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. A departmental Internal 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;
- Ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control; and
- Quarterly monitoring and updates 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 Minister on the adequacy and functioning of PSEPC's risk management, control and governance frameworks and processes.

2.2 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;
- The Treasury Board of Canada Secretariat provides PSEPC with information used to calculate various accruals and allowances, such as the accrued severance liability; and
- The Department of Justice Canada provides legal services to PSEPC;
- Shared Services Canada provides information technology (IT) infrastructure services to PSEPC in the areas of e-mail, data centre and network services; and
- Employment and Social Development Canada provides Worker's Compensation coverage;
- 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 exist 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 Civilian Review and Complaints Commission for the Royal Canadian Mounted Police. Memoranda of Understanding exist between PSEPC and each of these agencies, identifying respective roles and responsibilities.

3. Departmental assessment results during fiscal year 2014-15

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. Design and operating effectiveness testing was conducted on the key controls for the new pay administration process.

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 operating expenditures, grants and contributions & Disaster Financial Assistance Arrangements, payroll, and IT general controls under departmental management. For the most part, the key controls that were tested performed as intended, with remediation required as follows:

- Control issues were found in the Disaster Financial Assistance Arrangements (DFAA) area related to the estimations process of the financial arrangements as it pertains to subsequent events. Also there was no specific evidence that the final accrued DFAA liability amounts are evaluated and assessed according to updated Public Sector Accounting Standards related to government transfers and the recognition of accrued liabilities versus future liabilities.
- Control issues were found in the Payroll process and their alignment to the changes from the Pay Centre Transformation which resulted in various process changes and unclear roles and responsibilities. Also there was no evidence that risk-based controls that were developed to monitor approved transactions were implemented subsequent to the Pay transformation.
- A control issue was identified in the IT general controls process related to terminating user access in the Financial System (SAP). User access to SAP was not removed in a timely manner upon employee departure or termination.

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4. Departmental action plan

4.1 Progress During Fiscal Year 2014-2015

PSEPC 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 2014-15

Previous year's rotational ongoing monitoring plan for current year	Status
Entity-level controls, operating expenditures	Completed as planned; no remedial actions required.
Grants and contributions & DFAA	Completed as planned; remedial actions started.
Payroll	Completed as planned; remedial actions started.
IT general controls under departmental management	Completed as planned; remedial actions started.

In 2014-15, the department conducted the following work in addition to the progress made in ongoing monitoring:

- PSEPC established a number of enhanced controls to reduce risks related to DFAA provincial estimates and the accounting of accrued liabilities such as:
 - Improved guidance through the annual accounting letter to improve the quality of provincial estimates of DFAA-related liabilities;
 - Multilateral/bilateral meetings with program and finance officials at Public Safety and the province to review the current status of the DFAA-related liability to monitor potential changes in liability estimates;
 - Engagement between the Chief Financial Officer, Public Safety and the provincial Senior Financial Officer to confirm any change in estimates subsequent to the financial close;
 - Review of provincial financial statements upon publication to identify any material undisclosed change in provincial estimates; and
 - Ensuring sign-off of DFAA estimates at the SDM level and to certify that they have been communicated to the department's Chief Financial Officer.
- Testing of the design of the payroll process following the Government of Canada Transformation of Pay Administration. The department's payroll processes and controls have been revised to align with the transfer of responsibilities of pay services to the Public Service Pay Centre of PWGSC. An assessment has been completed of the roles and responsibility gaps which exist in departmental roles as well as the roles between the Pay Centre and PSEPC.

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4.2 Action plan for the next fiscal year and subsequent years

PSEPC'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.

Key Control Area	Rotational Ongoing Monitoring Plan		
	Fiscal year 2015-16	Fiscal year 2016-17	Fiscal year 2017-18
Entity-level controls	Yes	Yes	Yes
IT general controls under departmental management	No	No	Yes
Grants and contributions & DFAA	Yes	Yes	Yes
Operating expenditures	No	Yes	Yes
Capital expenditures	Yes	No	No
Financial close	Yes	No	No
Payroll	Yes	Yes	Yes
Revenue	No	Yes	No

In addition to the ongoing monitoring rotational plan, PSEPC plans to establish processes and controls related to overpayments and recoveries in 2015-16. This will include developing and implementing a departmental policy or procedure that will include: terms of payment (recovery); issuing, recording and reporting all receivable transactions accurately and promptly in the departmental accounts and the accounts of Canada; and taking appropriate, timely and cost-effective collection actions.