

PATENTED MEDICINE PRICES REVIEW BOARD: 2014-15 Departmental Financial Statements

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PATENTED MEDICINE PRICES REVIEW BOARD

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 Patented Medicine Prices Review Board (PMPRB). 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 the PMPRB's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the PMPRB's *Departmental Performance Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the PMPRB 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.

The PMPRB is subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to comply with the Treasury Board *Policy on Internal Control*.

A Core Control Audit was performed in 2011-12 by the Office of the Comptroller General of Canada (OCG). The Audit Report and related Management Action Plan are posted on the PMPRB's web site at <http://www.pmprb-cepmb.gc.ca/en/transparency/accountability>.

The financial statements of the PMPRB have not been audited.

Mary Catherine Lindberg
Chairperson
Ottawa, Canada
Date: August 12, 2015

Douglas Clark
Executive Director and Chief Financial Officer
Ottawa, Canada
Date: August 5, 2015

PATENTED MEDICINE PRICES REVIEW BOARD
Statement of Financial Position (*Unaudited*)
As at March 31
(in dollars)

| | 2015 | 2014 |
|---|---------------------|--------------|
| Liabilities | | |
| Accounts payable and accrued liabilities (note 4) | \$ 851,571 | \$ 571,104 |
| Vacation pay and compensatory leave | 273,462 | 252,828 |
| Employee future benefits (note 5) | 385,958 | 288,183 |
| Total net liabilities | 1,510,991 | 1,112,115 |
| Financial assets | | |
| Due from Consolidated Revenue Fund | 574,250 | 382,559 |
| Accounts receivable and advances (note 6) | 277,404 | 189,045 |
| Total financial assets | 851,654 | 571,604 |
| Departmental net debt | 659,337 | 540,511 |
| Non-financial assets | | |
| Tangible capital assets (note 7) | 165,738 | 73,343 |
| Total non-financial assets | 165,738 | 73,343 |
| Departmental net financial position | \$ (493,599) | \$ (467,168) |

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

Mary Catherine Lindberg
Chairperson
Ottawa, Canada
Date: August 12, 2015

Douglas Clark
Executive Director and Chief Financial Officer
Ottawa, Canada
Date: August 5, 2015

PATENTED MEDICINE PRICES REVIEW BOARD
Statement of Operations and Departmental Net Financial Position (Unaudited)
For the Year Ended March 31
(in dollars)

| | 2015 Planned Results | 2015 | 2014 |
|--|----------------------------|---------------------|--------------|
| Expenses | | | |
| Patented Medicine Prices Regulation Program | \$ 7,729,284 | \$ 3,937,591 | \$ 4,062,604 |
| Pharmaceutical Trends Program | 1,480,851 | 1,492,401 | 1,272,004 |
| Internal Services | 3,305,807 | 3,376,169 | 3,414,398 |
| Total expenses | 12,515,942 | 8,806,161 | 8,749,006 |
| Revenues | | | |
| Voluntary compliance undertakings | - | 2,731,123 | 10,605,109 |
| Other | - | 144 | 223 |
| Revenues earned on behalf of Government | - | (2,731,153) | (10,605,119) |
| Total revenues | - | 114 | 213 |
| Net cost of operations before government funding and transfers | 12,515,942 | 8,806,047 | 8,748,793 |
| Government funding and transfers | | | |
| Net cash provided by Government of Canada | | 7,668,182 | 7,711,986 |
| Change in due from Consolidated Revenue Fund | | 191,691 | 29,214 |
| Services provided without charge by other government departments (note 8) | | 1,089,795 | 1,177,222 |
| Transfer of the transition payments for implementing salary payments in arrears (note 9) | | (170,052) | - |
| Net cost of operations after government funding and transfers | | 26,431 | (169,629) |
| Departmental net financial position - Beginning of year | | (467,168) | (636,797) |
| Departmental net financial position - End of year | | \$ (493,599) | \$ (467,168) |

Segmented information (note 10)

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

PATENTED MEDICINE PRICES REVIEW BOARD
Statement of Change in Departmental Net Debt (Unaudited)
For the Year Ended March 31
(in dollars)

| | 2015 | 2014 |
|--|-------------------|--------------|
| Net cost (revenue) of operations after government funding and transfers | \$ 26,431 | \$ (169,629) |
| Change due to tangible capital assets | | |
| Acquisition of tangible capital assets | 112,074 | 20,583 |
| Amortization of tangible capital assets | (19,679) | (13,190) |
| Total change due to tangible capital assets | 92,395 | 7,393 |
| Net increase (decrease) in departmental net debt | 118,826 | (162,236) |
| Departmental net debt - Beginning of year | 540,511 | 702,747 |
| Departmental net debt - End of year | \$ 659,337 | \$ 540,511 |

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

PATENTED MEDICINE PRICES REVIEW BOARD**Statement of Cash Flows (Unaudited)****For the Year Ended March 31***(in dollars)*

| | 2015 | 2014 |
|---|---------------------|---------------------|
| Operating activities | | |
| Net cost of operations before government funding and transfers | \$ 8,806,047 | \$ 8,748,793 |
| Non-cash items: | | |
| Amortization of tangible capital assets | (19,679) | (13,190) |
| Services provided without charge by other government departments (note 8) | (1,089,795) | (1,177,222) |
| Transition payments for implementing salary payments in arrears (note 9) | 170,052 | - |
| Variations in Statement of Financial Position: | | |
| Decrease (increase) in accounts payable and accrued liabilities | (280,467) | (32,444) |
| Decrease (increase) in vacation pay and compensatory leave | (20,634) | 7,340 |
| Decrease (increase) in employee future benefits | (97,775) | 141,627 |
| Increase (decrease) in accounts receivable and advances | 88,359 | 16,499 |
| Cash used in operating activities | 7,556,108 | 7,691,403 |
| Capital investing activities | | |
| Acquisitions of tangible capital assets | 112,074 | 20,583 |
| Cash used in capital investing activities | 112,074 | 20,583 |
| Net cash provided by Government of Canada | \$ 7,668,182 | \$ 7,711,986 |

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

PATENTED MEDICINE PRICES REVIEW BOARD
Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31, 2015

1. Authority and objectives

The Patented Medicine Prices Review Board (PMPRB) is an independent quasi-judicial body established by Parliament in 1987 under the *Patent Act* (the Act).

Although the PMPRB is part of the Health Portfolio, it carries out its mandate at arm's length from the Minister of Health. It also operates independently of other bodies such as Health Canada, which approves drugs for safety and efficacy, and public drug plans, which approve the listing of drugs on their respective formularies for reimbursement purposes.

Strategic Outcome: Canadians are protected from excessive prices for patented medicines sold in Canada and stakeholders are informed on pharmaceutical trends.

Patented Medicine Prices Regulation Program

The PMPRB is an independent quasi-judicial body that is responsible for ensuring that the prices that patentees charge for patented medicines sold in Canada are not excessive based on the price review factors in the Act. To make this determination the Board must consider each of the following factors: prices at which the medicine and other medicines in the same therapeutic class have been sold in Canada and in the seven comparator countries listed in the Patented Medicines Regulations (Regulations); changes in the Consumer Price Index (CPI); and in accordance with the Act, such other factors as may be specified in any regulations made for the purposes of the price review. Under the Act, and as per the Regulations, patentees are required to file price and sales information for each patented medicine sold in Canada, for the duration of the patent(s). Board Staff reviews the introductory and ongoing information filed by patentees, for all patented medicines sold in Canada. When it finds that the price of a patented medicine appears to be excessive, Board Staff will conduct an investigation into the price. An investigation could result in: its closure where it is concluded that the price was non-excessive; a Voluntary Compliance Undertaking (VCU) by the patentee to reduce the price and offset excess revenues obtained as a result of excessive prices through a payment and/or a price reduction of another patented drug product; or a public hearing to determine if the price is excessive, including any remedial order determined by the Board. In the event that the Board Hearing Panel finds, after a public hearing, that a price is or was excessive, it may order the patentee to reduce the price and take measures to offset any excess revenues. This program, by reviewing the prices charged by patentees for patented medicines sold in Canada, protects Canadians and the health care system from excessive prices.

Pharmaceutical Trends Program

The PMPRB reports annually to Parliament through the Minister of Health on its price review activities, the prices of patented medicines and price trends for all drugs, and R&D expenditures as reported by pharmaceutical patentees. In supporting this requirement, the Pharmaceutical Trends Program provides complete and accurate information on trends in manufacturers' prices of patented medicines sold in Canada and on patentees' research-and-development expenditures to interested stakeholders including: industry (i.e., brand-name, biotech, generic); federal, provincial and territorial (F/P/T) governments; consumer and patient advocacy groups; third party payers; and others. This information also provides assurance to Canadians that the prices of patented medicines are not excessive. In addition, as a result of the establishment of the National Prescription Drug Utilization Information System (NPDUIS) by F/P/T ministers of health, the Federal Minister of Health requested that the PMPRB conduct analysis of price, utilization and cost trends for patented and non-patented prescription drugs so that Canada's health system has comprehensive, accurate information on how all prescription drugs are being used and on the sources of cost increases. This function is aimed at providing F/P/T governments and other interested stakeholders with a centralized credible source of information on all prescription drug prices.

Internal Services

Internal services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

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

The PMPRB is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the PMPRB 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 Financial Position and the Statement of Operations and Departmental Net 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*.

(b) Net cash provided by Government

The PMPRB operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the PMPRB is deposited to the CRF and all cash disbursements made by the PMPRB 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 the Consolidated Revenue Fund

Amounts due from 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 the PMPRB is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues

- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- Other 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 the PMPRB's liabilities. While the Chairperson is expected to maintain accounting control, she 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 entity's gross revenues.

(e) Expenses

Expenses are recorded on the accrual basis:

- Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, employer contribution to the health and dental insurance plans and legal services 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 (the "Plan"), a multiemployer pension plan administered by the Government. The PMPRB's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The PMPRB'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. They are mainly comprised of amounts to be recovered from other government departments and the recovery is considered certain. As a result, no provision has been recorded as an offset against these amounts.

(h) Contingent liabilities

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

(i) Tangible capital assets

All tangible capital assets having an initial cost of \$10,000 or more are recorded at their acquisition cost. The PMPRB 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 | Sub-asset class | Amortization Period |
|-------------------------|--------------------|---------------------|
| Machinery and equipment | Computer equipment | 3-5 years |
| | Computer software | 3 years |

(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 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 that they become known.

3. Parliamentary authorities

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

(in dollars)

| | 2015 | 2014 |
|---|--------------|--------------|
| Net cost of operations before government funding and transfers | \$ 8,806,047 | \$ 8,748,793 |
| Adjustments for items affecting net cost of operations but not affecting authorities | | |
| Amortization of tangible capital assets | (19,679) | (13,190) |
| Services provided without charge by other government departments | (1,089,795) | (1,177,222) |
| Decrease (increase) in vacation pay and compensatory leave | (20,634) | 7,340 |

| | | |
|---|---------------------|----------------------|
| Decrease (increase) in employee future benefits | (97,775) | 141,627 |
| Refund/adjustment of prior years' expenditures | 69,876 | 11,138 |
| Total items affecting net cost of operations but not affecting authorities | (1,158,007) | (1,030,307) |
| Adjustments for items not affecting net cost of operations but affecting authorities | | |
| Refund of previous year revenue | - | 2,801,285 |
| Acquisition of tangible capital assets | 112,074 | 20,583 |
| Proceeds from disposal of Crown assets | 114 | 213 |
| Transition payments for implementing salary payments in arrears (note 9) | 170,052 | - |
| Total items not affecting net cost of operations but affecting authorities | 282,240 | 2,822,081 |
| Current year authorities used | \$ 7,930,280 | \$ 10,540,567 |

(b) Authorities provided and used:

(in dollars)

| | 2015 | 2014 |
|--------------------------------------|---------------------|----------------------|
| Authorities provided: | | |
| Vote 1 - Program expenditures | \$ 10,356,470 | \$ - |
| Vote 40 - Program expenditures | - | 10,501,868 |
| Statutory amounts | 840,698 | 3,733,491 |
| Less: | | |
| Lapsed authorities | (3,266,888) | (3,694,792) |
| Current year authorities used | \$ 7,930,280 | \$ 10,540,567 |

4. Accounts payable and accrued liabilities

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

(in dollars)

| | 2015 | 2014 |
|--|-------------------|-------------------|
| Accounts payable - External parties | \$ 430,058 | \$ 271,338 |
| Accounts payable - Other government departments and agencies | 46,755 | 37,266 |
| Total accounts payable | 476,813 | 308,604 |
| Accrued liabilities | 374,758 | 262,500 |
| Net accounts payable and accrued liabilities | \$ 851,571 | \$ 571,104 |

5. Employee future benefits

(a) Pension benefits

The PMPRB'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 % per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the PMPRB contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Canada's 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 2014-15 expense amounts to the following:

(in dollars)

| | 2015 | 2014 |
|--|------|------|
| | | |

| | | |
|----------------------|-------------------|------------|
| Expense for the year | \$ 574,624 | \$ 605,626 |
|----------------------|-------------------|------------|

For Group 1 members, the expense represents approximately 1.41 times (1.60 times in 2013-14) the employee contributions and, for Group 2 members, approximately 1.39 times (1.50 times in 2013-14) the employee contributions.

The PMPRB'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

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

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

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

(in dollars)

| | | |
|---|-------------------|------------|
| | 2015 | 2014 |
| Accrued benefit obligation - Beginning of year | \$ 288,183 | \$ 429,810 |
| Provision for the year | 200,230 | 112,513 |
| Benefits paid during the year | (102,455) | (254,140) |
| Accrued benefit obligation - End of year | \$ 385,958 | \$ 288,183 |

6. Accounts receivable and advances

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

(in dollars)

| | | |
|---|-------------------|------------|
| | 2015 | 2014 |
| Accounts receivable - External parties | \$ 124,914 | \$ - |
| Accounts receivable - Other government departments and agencies | 151,990 | 188,545 |
| Employee advances | 500 | 500 |
| Total accounts receivable and advances | \$ 277,404 | \$ 189,045 |

7. Tangible capital assets

Capital Assets

(in dollars)

| | Opening Balance | Acquisitions | Disposals/ Write-downs | Closing Balance |
|-------------------------|------------------------|---------------------|-----------------------------------|------------------------|
| Machinery and equipment | \$ 86,533 | \$ 112,074 | \$ - | \$ 198,607 |
| Total | \$ 86,533 | \$ 112,074 | \$ - | \$ 198,607 |

Accumulated Amortization

(in dollars)

| | Opening Balance | Current Year Amortization | Disposals/ Write-downs | Closing Balance |
|-------------------------|------------------------|----------------------------------|-------------------------------|------------------------|
| Machinery and equipment | \$ 13,190 | \$ 19,679 | \$ - | \$ 32,869 |
| Total | \$ 13,190 | \$ 19,679 | \$ - | \$ 32,869 |

**Tangible Capital Assets
Net Book Value**

(in dollars)

| | Net Book Value 2014 | | Net Book Value 2015 |
|-------------------------|----------------------------|--|----------------------------|
| Machinery and equipment | \$ 73,343 | | \$ 165,738 |
| Total | \$ 73,343 | | \$ 165,738 |

8. Related party transactions

The PMPRB is related as a result of common ownership to all government departments, agencies, and Crown corporations. The PMPRB enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the PMPRB 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, the PMPRB received services without charge from certain common service organizations, related to accommodation, legal services and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in the PMPRB's Statement of Operations and Departmental Net Financial Position as follows:

(in dollars)

| | 2015 | 2014 |
|--|--------------|--------------|
| Accommodation | \$ 658,546 | \$ 735,730 |
| Employer's contribution to the health and dental insurance plans | 431,249 | 440,853 |
| Legal services | - | 639 |
| Total | \$ 1,089,795 | \$ 1,177,222 |

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

(b) Other transactions with related parties:

(in dollars)

| | 2015 | 2014 |
|---|-------------|-------------|
| Accounts payable – other government departments and agencies | \$ 46,755 | \$ 37,266 |
| Accounts receivable – other government departments and agencies | 151,990 | 188,545 |
| Expenses - other government departments and agencies | 147,947 | 127,426 |

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

9. 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. Prior to year end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Works and Government Services Canada, who is responsible for the administration of the Government pay system.

10. Segmented information

Presentation by segment is based on PMPRB's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the main programs, by major object of expense and by major type of revenue. The segment results for the period are as follows:

(in dollars)

| | Patented Medicine Prices Regulation Program | Pharmaceutical Trends Program | Internal Services | 2015 Total | 2014 Total |
|---|--|----------------------------------|---------------------|---------------------|---------------------|
| Expenses | | | | | |
| Salaries and employee benefits | \$ 2,987,650 | \$ 1,080,554 | \$ 2,497,173 | \$ 6,565,377 | \$ 6,472,067 |
| Professional and special services | 353,038 | 92,798 | 331,362 | 777,198 | 755,523 |
| Accommodation | 289,432 | 107,805 | 261,309 | 658,546 | 735,730 |
| Information services | 126,604 | 190,561 | 5,024 | 322,189 | 267,606 |
| Utilities, materials and supplies | 145,796 | 1,724 | 79,865 | 227,385 | 205,420 |
| Rentals | 4,087 | 315 | 78,208 | 82,610 | 63,163 |
| Travel and relocation | 18,164 | 18,423 | 30,554 | 67,141 | 77,887 |
| Communications | 12,820 | 221 | 44,533 | 57,574 | 63,417 |
| Other | - | - | 21,000 | 21,000 | 79,817 |
| Amortization of tangible capital assets | - | - | 19,679 | 19,679 | 13,190 |
| Repair and maintenance | - | - | 7,462 | 7,462 | 15,186 |
| Total expenses | 3,937,591 | 1,492,401 | 3,376,169 | 8,806,161 | 8,749,006 |
| Revenues | | | | | |
| Voluntary compliance undertakings | - | - | 2,731,123 | 2,731,123 | 10,605,109 |
| Other | - | - | 144 | 144 | 223 |
| Revenues earned on behalf of Government | - | - | (2,731,153) | (2,731,153) | (10,605,119) |
| Total revenues | - | - | 114 | 114 | 213 |
| Net cost of operations before government funding and transfers | \$ 3,937,591 | \$ 1,492,401 | \$ 3,376,055 | \$ 8,806,047 | \$ 8,748,793 |