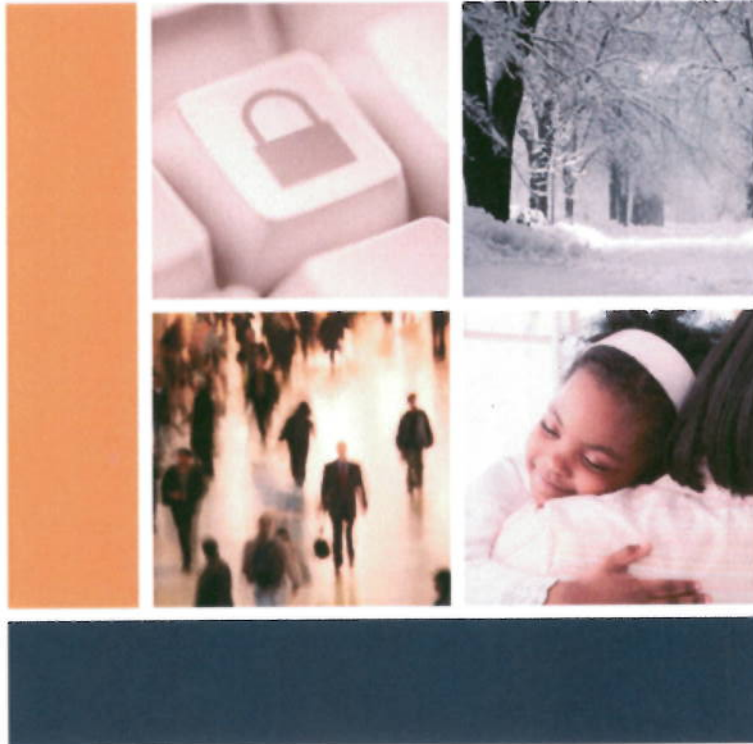




Public Safety  
Canada

Sécurité publique  
Canada

BUILDING A **SAFE AND RESILIENT CANADA**



# FINANCIAL STATEMENTS FOR THE YEAR ENDED

March 31, 2013

Canada

# Public Safety and Emergency Preparedness Canada

## Statement of Management Responsibility (Unaudited)

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2013, 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 the department'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 for maintaining an effective system of internal controls 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 throughout the Department 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, 2013 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 the Department's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the Department'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 Public Safety and Emergency Preparedness Canada.

The financial statements of PSEPC have not been audited.



**François Guimont**  
Deputy Minister  
Ottawa, Canada



**René Bolduc**  
A/Chief Financial Officer and Assistant Deputy Minister  
Corporate Management Branch  
Ottawa, Canada

28.08.2013

Date

AOUT 26 2013  
AUG 26 2013

Date

# Public Safety and Emergency Preparedness Canada

## Statement of Financial Position (Unaudited)

As at March 31

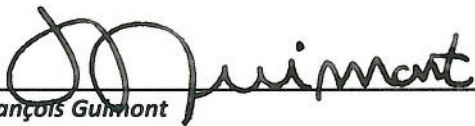
(in thousands of dollars)

	2013	2012
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	336,372	210,834
Vacation pay and compensatory leave	4,794	3,732
Employee future benefits (note 5)	9,111	9,457
Disaster Financial Assistance Arrangements (DFAA) (note 6)	1,130,940	1,299,851
<b>Total net Liabilities</b>	<b>1,481,217</b>	<b>1,523,874</b>
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	194,846	172,158
Accounts receivable and advances (note 7)	963	1,071
<b>Total net financial assets</b>	<b>195,809</b>	<b>173,229</b>
<b>Departmental Net Debt</b>	<b>1,285,408</b>	<b>1,350,645</b>
<b>Non-Financial assets</b>		
Tangible capital assets (note 8)	16,700	15,160
<b>Total non-financial assets</b>	<b>16,700</b>	<b>15,160</b>
<b>Departmental net financial position</b>	<b>(1,268,708)</b>	<b>(1,335,485)</b>

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



**René Bolduc**  
A/Chief Financial Officer and Assistant Deputy Minister  
Corporate Management Branch  
Ottawa, Canada

28.08.2013

Date

AOUT 26 2013  
AUG 26 2013

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)

	2013 Planned Results	2013	2012
<b>Expenses</b>			
Countering Crime	210,403	162,355	172,226
Emergency Management	487,839	141,270	890,320
Internal Services	62,091	72,019	70,767
National Security	24,206	32,230	19,561
Border Strategies	11,766	4,864	3,424
<b>Total expenses</b>	<b>796,305</b>	<b>412,738</b>	<b>1,156,298</b>
<b>Revenues</b>			
Interdepartmental provision of internal support services	2,692	2,245	1,596
Miscellaneous revenues	65	81	89
Revenues earned on behalf of government		(81)	(89)
<b>Total revenues</b>	<b>2,757</b>	<b>2,245</b>	<b>1,596</b>
<b>Net cost from continuing operations</b>	<b>793,548</b>	<b>410,493</b>	<b>1,154,702</b>
<b>Transferred operations</b>			
Expenses	0	0	3,235
<b>Net cost of transferred operations</b>	<b>0</b>	<b>0</b>	<b>3,235</b>
<b>Net cost of operations before government funding and transfers</b>	<b>793,548</b>	<b>410,493</b>	<b>1,157,937</b>
<b>Government Funding and Transfers</b>			
Net cash provided by Government		434,236	528,825
Change in due from the Consolidated Revenue Fund		22,688	(106,236)
Services provided without charge by other government departments (note 11)		20,422	20,238
Transfer of assets and liabilities to/from other government departments		(76)	(926)
<b>Net cost of operations after government funding and transfers</b>		<b>(66,777)</b>	<b>716,036</b>
<b>Departmental Net Financial Position - Beginning of Year</b>		<b>(1,335,485)</b>	<b>(619,449)</b>
<b>Departmental Net Financial Position - End of Year</b>		<b>(1,268,708)</b>	<b>(1,335,485)</b>

Segmented information (note 14)

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

## Public Safety and Emergency Preparedness Canada

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

For the year ended March 31

(in thousands of dollars)

	2013	2012
<b>Net Cost of Operations after government funding and transfers</b>	(66,777)	716,036
<b>Change Due to Tangible Capital Assets</b>		
Acquisition of tangible capital assets	3,259	3,293
Amortization of tangible capital assets	(1,745)	(1,764)
Transfer to/from other Government Departments (note 8)	26	(2,075)
<b>Total Change Due to Tangible Capital Assets</b>	<b>1,540</b>	<b>(546)</b>
<b>Net Decrease in Departmental Net Debt due to operations</b>	<b>(65,237)</b>	<b>715,490</b>
<b>Departmental Net Debt Beginning of Year</b>	<b>1,350,645</b>	<b>635,155</b>
<b>Departmental Net Debt End of Year</b>	<b>1,285,408</b>	<b>1,350,645</b>

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

## Public Safety and Emergency Preparedness Canada

### Statement of Cash Flows (Unaudited)

For the year ended March 31

(in thousands of dollars)

	2013	2012
<b>Operating activities</b>		
Net Cost of Operations before government funding and transfers	410,493	1,157,937
<b>Non-cash items:</b>		
Amortization of tangible capital assets (note 8)	(1,745)	(1,764)
Services provided without charge by other government departments (note 11)	(20,422)	(20,238)
<b>Variations in Statement of Financial Position:</b>		
Increase (decrease) in account receivable	(108)	(1,954)
Decrease (increase) in accounts payable and accrued liabilities	(125,538)	137,510
Decrease (increase) in vacation pay and compensatory leave	(1,062)	(226)
Decrease (increase) in employee future benefits	346	9,349
Decrease (increase) in Disaster Financial Assistance Arrangements program	168,911	(753,933)
Transfer of liabilities to/from other government departments	102	(1,149)
<b>Cash used by operating activities</b>	<b>430,977</b>	<b>525,532</b>
<b>Capital investing activities</b>		
Acquisitions of tangible capital assets (note 8)	3,259	3,293
<b>Cash used in capital investing activities</b>	<b>3,259</b>	<b>3,293</b>
<b>Net cash provided by Government of Canada</b>	<b>434,236</b>	<b>528,825</b>

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, 2013

### 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. The Department 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 activities:

- **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;
- **Internal Services:** Supports the work of all other programs activities and provides key corporate services;
- **National Security:** Develops and coordinates policy to define and advance Canada's national security objectives; and
- **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.

### 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 the Department 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 are the amounts reported in the future-oriented financial statements included in the *2012-13 Report on Plans and Priorities*.

## 2. Significant accounting policies (continued)

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

The Department operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Department is deposited to the CRF, and all cash disbursements made by the Department 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 the Department 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 the Department's liabilities. While the Deputy Head is expected to maintain accounting control, he or 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 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. The Department's contributions to the Plan are charged to expenses in the year incurred and represent the total Departmental obligation to the Plan. The Department'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 labor 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) Receivables*

Accounts receivables are stated at the lower of cost and net recoverable value; a valuation allowance is recorded for receivables 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 an amount cannot be reasonably estimated, the contingency is disclosed in the 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. The Department 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.

## 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
Computer software	3-5 years
Vehicles	3 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of 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 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, 2013

### 3. Parliamentary authorities (continued)

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

	2013	2012
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	410,493	1,157,937
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
<i>Add (Less):</i>		
Amortization of tangible capital assets (note 8)	(1,745)	(1,764)
Services provided without charge by other government departments (note 11)	(20,422)	(20,238)
Decrease (increase) in vacation pay and compensatory leave	(1,062)	(358)
Decrease (increase) in employee future benefits net (note 5)	346	8,524
Bad debt expenses	1,825	(1,901)
Refund of prior year expenditures	(1,220)	2,294
Decrease (increase) in accruals for Disaster Financial Assistance (note 6)	168,911	(753,933)
Adjustments to previous years' payables at year-end	23,889	12,358
	170,522	(755,018)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
<i>Add (Less):</i>		
Acquisitions of tangible capital assets (note 8)	3,259	3,293
	3,259	3,293
<b>Current year authorities used</b>	<b>584,274</b>	<b>406,212</b>

*(b) Authorities provided and used:*

	2013	2012
	(in thousands of dollars)	
<i>Operating expenditures - Vote 1</i>	139,312	152,159
<i>Grants &amp; Contributions - Vote 5</i>	479,441	246,044
Salary and motor car allowance	78	78
Contributions to employee benefits plan	15,634	15,676
	634,465	413,957
Less:		
Lapsed : Operating and transfer payments	(50,191)	(12,392)
<b>Subtotal</b>	<b>584,274</b>	<b>401,565</b>
Obligation for Termination Benefits	0	4,647
<b>Current year authorities used</b>	<b>584,274</b>	<b>406,212</b>

# Public Safety and Emergency Preparedness Canada

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2013

### 4. Accounts payable and accrued liabilities

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

	2013	2012
	(in thousands of dollars)	
Accounts payable to other government departments and agencies	2,740	4,162
Accounts payable to external parties	332,772	201,173
<b>Total accounts payable</b>	<b>335,512</b>	<b>205,335</b>
Accrued liabilities	860	5,499
<b>Total accounts payable and accrued liabilities</b>	<b>336,372</b>	<b>210,834</b>

### 5. Employee future benefits

#### *(a) Pension benefits*

PSEPC's employees participate in the Public Service Pension 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 Plans benefits and they are indexed to inflation. Both the employees and the Department contribute to the cost of the Plan. The 2012-13 expense amounts to \$11,162,790 (\$11,303,865 in 2011-12), which represents approximately 1.7 times the contributions by employees (1.8 in 2011-12).

The Department'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:

	2013	2012
	(in thousands of dollars)	
<b>Accrued benefit obligation - Beginning of year</b>	<b>9,457</b>	<b>18,806</b>
Transferred to other government department (note 13)	0	(763)
Subtotal	9,457	18,043
Expense for the year	1,827	1,786
Benefits paid during the year	(2,173)	(10,372)
<b>Accrued benefit obligation - End of year</b>	<b>9,111</b>	<b>9,457</b>

For the year ended March 31, 2013

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

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 \$1,131M is the estimated cost to PSEPC of 60 natural disaster events for which the Federal Government has agreed to share the costs and final payments have not yet been made.

	2013	2012
	(in thousands of dollars)	
Opening balance	1,299,851	545,918
Disbursements	(279,949)	(99,970)
Accrued expenses for the year	111,038	853,903
<b>Closing balance</b>	<b>1,130,940</b>	<b>1,299,851</b>

**7. Accounts receivable and advances**

The following table presents details of accounts receivable and advances:

	2013	2012
	(in thousands of dollars)	
Receivables – Other government departments and agencies	833	892
Receivables – External parties	198	2,053
Employee advances	12	27
Subtotal	1,043	2,972
Allowance for doubtful accounts on receivables from external parties	(80)	(1,901)
<b>Net accounts receivable</b>	<b>963</b>	<b>1,071</b>

For the year ended March 31, 2013

(in thousands of dollars)

**8. Tangible capital assets**

Capital asset class	Cost			Accumulated amortization					Net book value	
	Opening balance	Acquisitions	Adjustments (1)	Closing balance	Opening balance	Amortizations	Adjustments (1)	Closing balance	2013	2012
Computer hardware	4,632	359	178	5,169	3,720	282	166	4,168	1,001	912
Machinery and Equipment	0	0	16	16	0	2	4	6	10	0
Computer Software	214	0	0	214	175	13	0	188	26	39
Other equipment including furniture	1,342	63	0	1,405	183	268	0	451	954	1,159
Vehicles	171	0	4	175	95	32	2	129	46	76
Leasehold improvements	19,906	2,809	97	22,812	7,276	1,148	0	8,424	14,388	12,630
Assets under construction	344	28	(97)	275	0	0	0	0	275	344
<b>Total</b>	<b>26,609</b>	<b>3,259</b>	<b>198</b>	<b>30,066</b>	<b>11,449</b>	<b>1,745</b>	<b>172</b>	<b>13,366</b>	<b>16,700</b>	<b>15,160</b>

(1) Adjustments include assets under construction of \$97,000 that were transferred to other categories upon completion of the assets.

The Department transferred computer hardware, machinery and equipment and vehicles with a net book value of \$26,000 to Industry Canada, Health Canada and Public Works. This transfer is included in the adjustment columns.

For the year ended March 31, 2013

**9. Contractual Obligations**

The nature of the Department's activities can result in some large multi-year contracts and obligations whereby the Department 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
	2014	2015	2016	2017	
	(in thousands of dollars)				
Transfer payments	78,461	18,878	3,371	374	<b>101,084</b>

**10. Contingent liabilities - claims and litigation**

Claims have been made against the Department 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. The Department has recorded an allowance for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$1,750,000 (\$1,822,110 in 2011-2012) at March 31, 2013.

**11. Related party transactions**

The Department is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Department enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, the Department 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, the Department received common services which were obtained without charge from other Government departments as disclosed below:

# Public Safety and Emergency Preparedness Canada

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2013

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

During the year the Department 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 the Department's Statement of Operations and Departmental Net Financial Position as follows:

	2013	2012
	(in thousands of dollars)	
Accommodation	10,268	10,088
Employer's contribution to the health and dental insurance plans	8,571	8,385
Legal services	1,576	1,758
Workers' Compensation	7	7
<b>Total</b>	<b>20,422</b>	<b>20,238</b>

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

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

	2013	2012
	(in thousands of dollars)	
Accounts receivable – Other government departments and agencies	833	892
Accounts payable – Other government departments and agencies	2,740	4,162
Expenses - Other government departments and agencies	10,125	11,145
Revenues – Other government departments and agencies	2,245	1,596

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



# Public Safety and Emergency Preparedness Canada

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2013

### 12. Transfer payments

The following table presents details of transfer payments as follows:

	2013	2012
	(in thousands of dollars)	
Payments to Territorial Governments for Operating Expenditures	(10,741)	13,044
Payments to persons	6,600	0
Payments to other levels of government	127,083	859,934
Payments to Native peoples	88,611	80,798
Payments to Non-Profit Organizations	33,686	31,502
<b>Total</b>	<b>245,239</b>	<b>985,278</b>

The reduction in Transfer Payments to Territorial Governments relates to actual payments differing from estimated payments for natural disaster events.

### 13. Transfers from/to other government departments

Effective November 15, 2011, the Department transferred its information technology activities to Shared Services Canada (SSC) in accordance with PC 2011-12 97, including the stewardship responsibility for the assets and liabilities related to the program. Accordingly, the Department transferred the following assets and liabilities related to PSEPC to SSC on November 15, 2011:

	2012
	(in thousands of dollars)
<b>Assets:</b>	
Tangible capital assets (net book value)	2,066
<b>Total assets transferred</b>	<b>2,066</b>
<b>Liabilities:</b>	
Allowance for Vacation pay and compensatory leave	132
Employee future benefit liabilities	763
Accrued Salaries and Wages	17
Payables	237
<b>Total liabilities transferred</b>	<b>1,149</b>
<b>Adjustment to the departmental net financial position</b>	<b>917</b>

# Public Safety and Emergency Preparedness Canada

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2013

(in thousands of dollars)

### 14. Segmented information

Presentation by segment is based on the Department'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 program activities, 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)					2013	2012
	Countering Crime	Emergency Management	Internal Services	National Security	Border Strategies	Total	Total
Transfer payments	129,511	108,352	0	7,376	0	245,239	985,278
<b>Operating expenses</b>							
Salaries and employee benefits	26,445	23,597	47,666	18,742	3,724	120,174	120,387
Professional and special services	4,040	2,902	10,344	1,932	338	19,556	21,919
Accommodation	2,329	3,638	5,358	1,624	325	13,274	13,261
Equipment	89	511	2,692	968	33	4,293	931
Travel and relocation	1,353	801	702	1,190	231	4,277	3,739
Information	174	15	2,080	18	1	2,288	2,645
Amortization	2	186	1,540	17	0	1,745	1,764
Equipment rentals	86	168	983	80	201	1,518	1,442
Repairs	2	956	22	172	0	1,152	1,939
Utilities, material and supplies	84	83	485	45	11	708	940
Communication	28	52	136	66	0	282	117
Miscellaneous	37	9	11	0	0	57	35
Bad debt expense	(1,825)	0	0	0	0	(1,825)	1,901
<b>Total operating expenses</b>	<b>32,844</b>	<b>32,918</b>	<b>72,019</b>	<b>24,854</b>	<b>4,864</b>	<b>167,499</b>	<b>171,020</b>
<b>Total Expenses</b>	<b>162,355</b>	<b>141,270</b>	<b>72,019</b>	<b>32,230</b>	<b>4,864</b>	<b>412,738</b>	<b>1,156,298</b>
<b>Revenues</b>							
Interdepartmental provision of internal support Services	0	0	2,245	0	0	2,245	1596
Miscellaneous revenues	1	0	80	0	0	81	89
Revenues earned on behalf of Government	(1)	0	(80)	0	0	(81)	(89)
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>2,245</b>	<b>0</b>	<b>0</b>	<b>2,245</b>	<b>1,596</b>
<b>Net Cost from continuing operations</b>	<b>162,355</b>	<b>141,270</b>	<b>69,774</b>	<b>32,230</b>	<b>4,864</b>	<b>410,493</b>	<b>1,154,702</b>

For the year ended March 31, 2013

(in thousands of dollars)

## 15. Subsequent Events

Pursuant to Orders-in-Council P.C. 2013-799, 2013-800, 2013-801, 2013-802, 2013-803 and 2013-804 dated June 12, 2013, the Government of Canada under the Management Emergency Act has agreed to share the costs of six (6) additional natural disaster events for a total of \$225,800,000. The impact of these costs will be reflected in the 2013-2014 financial statements.

## **ANNEX TO THE STATEMENT OF MANAGEMENT RESPONSIBILITY**

### **INTRODUCTION**

This document provides summary information on the measures taken by Public Safety Canada (PS) 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 2012-13 *Departmental Performance Report* [2012-13 Departmental Performance Report](#) and the [2013-2014 Report on Plans and Priorities](#).

### **SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING**

#### **Internal Control Management**

The Department 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 departmental champion and specific departmental code of conduct;
- On-going communication and training on statutory requirements, policies and procedures for sound financial management and control; and
- Monitoring and regular updates at least semi-annually on internal control management plus assessment results and action plans to the Deputy Minister, departmental senior management and the Departmental Audit Committee (DAC).

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

#### **Service Arrangements Relevant to Financial Statements**

The Department 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 the Public Safety's Delegation of Authority, and provides accommodations services;
- Treasury Board Secretariat provides the Department 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 PS;
- Shared Services Canada provides information technology infrastructure services to PS in the areas of e-mail, data centre and network services; and
- PS relies on the internal controls of third party suppliers which provide specific services, such as relocation services.

**Specific Arrangements:**

- PS's systems of record are provided by the Royal Canadian Mounted Police, who hosts the Department's financial management system, and by Correctional Services of Canada, who hosts the Department's human resources information management system. Memoranda of Understanding exists between the Department and these agencies, identifying respective roles and responsibilities;
- Human Resources and Skills Development Canada, pursuant to a Memorandum of Understanding, provided recipient selection and payment operations under the Air India Ex-Gratia Payment Program. Human Resources and Skills Development Canada had the authority and responsibility to ensure that specific transactions or payments are made in accordance with the Terms and Conditions set out by the Air India Ex-Gratia Payment Program. As a result, reliance is placed on the control procedures of Human Resources and Skills Development Canada; and
- PS 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 PS and each of these agencies, identifying respective roles and responsibilities.

## DEPARTMENTAL ASSESSMENT RESULTS DURING FISCAL YEAR 2012-2013

During fiscal year 2012-2013, the Department accelerated key process design effectiveness and operating effectiveness testing of key control areas. On-going monitoring will be implemented following completion of effectiveness testing as per the internal control framework. This framework will be approved in fiscal year 2013-14.

### Design Effectiveness of Key Controls

During fiscal year 2012-2013, the Department undertook design effectiveness testing of capital assets and information technology general controls and application specific controls. The Department identified the following remediation requirements:

- Greater consistency in the quality and availability of documentation of controls and procedures; and
- Improvements in documentation, including a department specific capital assets policy.

### Operating Effectiveness of Key Controls

During fiscal year 2012-2013, the Department completed operating effectiveness testing of its Grants and Contribution processes, the Disaster Financial Assistance Arrangements Program and Purchase to Pay. KPMG identified that the use of checklists to support the evidencing of transactions was considered a best practice. As a result of this testing, it was determined that the Department should improve descriptions of financial transactions and the availability of supporting documents.

### On-Going Monitoring of Key Controls

During fiscal year 2012-2013, the Department did not plan any monitoring activities.

## DEPARTMENTAL ACTION PLAN

### Progress During Fiscal Year 2012-2013

During fiscal year 2012-2013, the Department continued to make significant progress in assessing and improving its key controls. Of note, the Department has completed operating effectiveness testing of 99.5% of its annual appropriation. Below is a summary of the progress made by the Department based on the plans identified in the previous year's annex.

Element in Previous Year's Action Plan	Status
Grants and Contributions -- operating effectiveness testing	Completed -- remediation is required to improve descriptions of financial transactions and the availability of supporting documents
Disaster Financial Assistance Arrangements -- operating effectiveness testing	Completed -- remediation is required to improve descriptions of financial transactions and the

	availability of supporting documents
Purchase to Pay – operating effectiveness testing	Completed – remediation is required to improve descriptions of financial transactions and the availability of supporting documents
Capital Assets – design effectiveness testing	Completed – remediation identified that a departmental policy on capital assets should be developed and the key control risk matrix should be further developed.
Information Technology General Controls under departmental management – design effectiveness testing	Completed – remediation is required to better document controls and procedures.

### Status and Action Plan for the Next and Subsequent Fiscal Years

Building on the progress to date, the Department is positioned to complete the full assessment of its system of internal control over financial reporting in 2013-2014, as opposed to 2015-2016 as identified in the previous annex. In 2014-15, the Department will be applying its rotational on-going monitoring plan 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 <sup>1</sup>
Entity Level Controls	2013-2014	2013-2014	To be determined	2014-2015
Information Technology General Controls under departmental management	Completed	2013-2014	2014-2015	2015-2016
Capital Assets	Completed	2013-2014	2013-2014	2016-2017
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	2013-2014	2014-2015
Financial Close and Reporting	2013-2014	2013-2014	To be determined	2015-2016

<sup>1</sup> 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