



Public Safety  
Canada

Sécurité publique  
Canada

BUILDING A **SAFE AND RESILIENT CANADA**



# FINANCIAL STATEMENTS FOR THE YEAR ENDED

March 31, 2019

Canada 

## Public Safety and Emergency Preparedness

### 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, 2019, 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 Results 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.

PSEPC has a risk-based Internal Control Framework in place to monitor control processes on an ongoing basis. The objective is to assess both the design and the operating effectiveness of key controls and to take necessary corrective measures. In 2018-19, PSEPC did not introduce significant amendments to key controls that in our view, warranted process reassessment.

However, ongoing internal control assessment is part of the PSEPC control framework and a third party firm is currently conducting this work. Results will be tabled to the Departmental Audit Committee in November 2019. To the best of our knowledge, the existing system of internal controls provides assurance that the financial information contained in these financial statements is reliable. For additional information on the internal control assessment plan, please refer to 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 Gina Wilson

**Gina Wilson**  
Deputy Minister  
Ottawa, Canada

Original signed by Patrick Amyot

**Patrick Amyot, CPA, CMA**  
Chief Financial Officer  
Ottawa, Canada

August 1, 2019

## Public Safety and Emergency Preparedness

### Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)

2019 2018

#### Liabilities

Accounts payable and accrued liabilities (note 4)	643,622	494,877
Vacation pay and compensatory leave	7,705	6,591
Employee future benefits (note 5)	5,049	4,934
Disaster Financial Assistance Arrangements (DFAA) (note 6)	2,457,560	1,965,544

**Total liabilities** 3,113,936 2,471,946

#### Financial assets

Due from Consolidated Revenue Fund	575,978	490,926
Accounts receivable and advances (note 7)	5,416	6,060

**Total financial assets** 581,394 496,986

**Departmental net debt** 2,532,542 1,974,960

#### Non-financial assets

Tangible capital assets (note 8)	9,595	12,487
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**Total non-financial assets** 9,595 12,487

**Departmental net financial position** (2,522,947) (1,962,473)

Contractual obligations (note 9)

Contingent liabilities (note 10)

The accompanying notes form an integral part of these financial statements

Original signed by Gina Wilson

Original signed by Patrick Amyot

**Gina Wilson**

Deputy Minister  
Ottawa, Canada

**Patrick Amyot, CPA, CMA**

Chief Financial Officer  
Ottawa, Canada

August 1, 2019

## Public Safety and Emergency Preparedness

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

**For the year ended March 31**

(in thousands of dollars)

	2019 Planned Results	2019	2018
<b>Expenses</b>			
Emergency Management	640,481	889,005	778,372
Community Safety	366,248	299,121	182,966
Internal Services	63,029	77,779	67,952
National Security	32,788	28,793	30,138
Border Strategies	0	0	11,594
<b>Total expenses</b>	<b>1,102,546</b>	<b>1,294,698</b>	<b>1,071,022</b>
<b>Revenues</b>			
Interdepartmental provision of internal support services	2,700	2,154	2,045
Miscellaneous revenues	130	69	59
Revenues earned on behalf of government	(130)	(69)	(59)
<b>Total revenues</b>	<b>2,700</b>	<b>2,154</b>	<b>2,045</b>
<b>Net cost of operations before government funding and transfers</b>	<b>1,099,846</b>	<b>1,292,544</b>	<b>1,068,977</b>
<b>Government funding and transfers</b>			
Net cash provided by Government		627,128	881,899
Change in due from the Consolidated Revenue Fund		85,052	22,192
Services provided without charge by other government departments (note 11)		21,243	21,700
Transfer of assets to other government department (note 15)		(1,353)	0
<b>Net cost of operations after government funding and transfers</b>		<b>560,474</b>	<b>143,186</b>
<b>Departmental net financial position – Beginning of year</b>		<b>(1,962,473)</b>	<b>(1,819,287)</b>
<b>Departmental net financial position – End of year</b>		<b>(2,522,947)</b>	<b>(1,962,473)</b>

Segmented information (note 13)

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

## Public Safety and Emergency Preparedness

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

For the year ended March 31

(in thousands of dollars)

	2019	2018
<b>Net cost of operations after government funding and transfers</b>	<b>560,474</b>	143,186
<b>Change due to tangible capital assets</b>		
Acquisition of tangible capital assets	262	1,301
Amortization of tangible capital assets	(1,801)	(2,474)
Proceeds from disposal of non-tangible capital assets	(4)	(8)
Net gain on disposal of non-capital assets	4	0
Transfer to other Government Departments (note 15)	(1,353)	0
<b>Total change due to tangible capital assets</b>	<b>(2,892)</b>	(1,181)
<b>Net increase (decrease) in departmental net debt due to operations</b>	<b>557,582</b>	142,005
<b>Departmental net debt – Beginning of year</b>	<b>1,974,960</b>	1,832,955
<b>Departmental net debt – End of year</b>	<b>2,532,542</b>	1,974,960

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

## Public Safety and Emergency Preparedness

### Statement of Cash Flows (Unaudited)

For the year ended March 31

(in thousands of dollars)

	2019	2018
<b>Operating activities</b>		
<b>Net cost of operations before government funding and transfers</b>	<b>1,292,544</b>	1,068,977
<b>Non-cash items:</b>		
Amortization of tangible capital assets	(1,801)	(2,474)
Services provided without charge by other government departments (note 11)	(21,243)	(21,700)
Gain (loss) on disposal of non-capital assets	4	0
<b>Variations in Statement of Financial Position:</b>		
Increase (decrease) in accounts receivable and advances	(644)	1,711
Decrease (increase) in accounts payable and accrued liabilities	(148,745)	(23,616)
Decrease (increase) in vacation pay and compensatory leave	(1,114)	(1,442)
Decrease (increase) in employee future benefits	(115)	(44)
Decrease (increase) in DFAA program	(492,016)	(140,806)
<b>Cash used in operating activities</b>	<b>626,870</b>	880,606
<b>Capital investing activities</b>		
Acquisition of tangible capital assets	262	1,301
Proceeds from disposal of non-tangible capital assets	(4)	(8)
<b>Cash used in capital investing activities</b>	<b>258</b>	1,293
<b>Net cash provided by Government of Canada</b>	<b>627,128</b>	881,899

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

For the year ended March 31, 2019

### 1. Authority and objectives

The Department of Public Safety and Emergency Preparedness (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 four main core responsibility programs:

- National Security: develops policy, legislation and programs to support Canada's capacity to respond to a range of national security threats directed against Canadians and our critical infrastructure;
- Community Safety: Provides national coordination to help Canadian communities and stakeholders respond to crime and build community resilience, promote the safety and security of Canadian communities and institutions, enhance the integrity of Canada's borders, and support the provision of policing services to Indigenous communities.
- Emergency Management: Works to strengthen national emergency preparedness to help prevent, mitigate, prepare for, respond to and recover from all-hazards events. Public Safety provides resources and expertise to Canadian communities in support of emergency preparedness, disaster mitigation and recovery; 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:

For the year ended March 31, 2019

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

### *(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 *2018-19 Departmental Plan*. 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 *2018-19 Departmental Plan*.

### *(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 or 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 from regulatory fees are recognized based on the services provided in the year. Revenues are then recognized in the period in which the related expenses are incurred. Other revenues are recognized in the period the event giving rise to the revenues occurred. Revenues that are non-responsible are not available to discharge the Department's liabilities. While the DH is expected to maintain accounting control, he or she has no authority regarding the disposition of non-responsible revenues. As a result, non-responsible revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues.

For the year ended March 31, 2019

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

#### *(e) Expenses*

Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient.

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 carrying value.

#### *(f) Employee future benefits*

(i) *Pension benefits:* Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government. PSEPC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. PSEPC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(ii) *Severance benefits:* The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits 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 initially recorded at cost and where necessary, are discounted to reflect their concessionary terms. When necessary, an allowance for valuation is recorded to reduce the carrying value of accounts receivable to amounts that approximate their net recoverable value.

#### *(h) Non-financial assets*

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described in Note 8. All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Tangible capital assets do not include immovable assets located on reserves as defined in the Indian Act, works of art, museum collection and Crown land to which no acquisition cost is attributable; and intangible assets. Inventories are valued at cost and are comprised of spare parts and supplies held for future program delivery and are not primarily intended for resale. Inventories that no longer have service potential are valued at the lower of cost or net realizable value.

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

### *(i) Contingent liabilities*

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, a provision is accrued and an expense recorded to other expenses. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in note 10 of the financial statements.

### *(j) Measurement uncertainty*

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are contingent liabilities, environmental liabilities, 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.

### *(k) Related party transactions*

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i. Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.
- ii. Certain services received on a without charge basis are recorded for departmental financial statement purposes at the carrying amount.

## Public Safety and Emergency Preparedness

### Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2019

### 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:**

	2019	2018
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	<b>1,292,544</b>	1,068,977
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	<b>(1,801)</b>	(2,474)
Services provided without charge by other government departments	<b>(21,243)</b>	(21,700)
Decrease (increase) in vacation pay and compensatory leave	<b>(1,114)</b>	(1,442)
Decrease (increase) in employee future benefits	<b>(115)</b>	(44)
Refund of prior years' expenditures	<b>2,147</b>	1,903
Decrease (increase) in accruals for DFAA	<b>(492,016)</b>	(140,806)
Decrease (increase) in accrued liabilities not charged to authorities	<b>(65,000)</b>	0
Adjustments to previous years' payables at year-end	<b>12,900</b>	52,374
	<b>(566,242)</b>	(112,189)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Acquisitions of tangible capital assets	<b>262</b>	1,301
Salary overpayments charged to the Appropriation	<b>974</b>	885
Salary advances to employees charged to Appropriation	<b>66</b>	106
Proceeds from disposal of non-tangible capital assets	<b>(4)</b>	(8)
	<b>1,298</b>	2,284
<b>Current year authorities used</b>	<b>727,600</b>	959,072

## Public Safety and Emergency Preparedness

### Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2019

#### 3. Parliamentary authorities (continued)

*(b) Authorities provided and used:*

	2019	2018
	(in thousands of dollars)	
Authorities provided:		
Vote 1 - Operating expenditures	153,817	145,516
Vote 5 - Grants & Contributions	985,011	946,845
Statutory amounts	14,868	14,630
	1,153,696	1,106,991
Less:		
Authorities available for future years	(4)	0
Lapsed authorities	(426,092)	(147,919)
<b>Current year authorities used</b>	<b>727,600</b>	<b>959,072</b>

#### 4. Accounts payable and accrued liabilities

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

	2019	2018
	(in thousands of dollars)	
Accounts payable - Other government departments and agencies	2,126	3,392
Accounts payable - External parties	628,746	480,614
<b>Total accounts payable</b>	<b>630,872</b>	<b>484,006</b>
Accrued liabilities	12,750	10,871
<b>Total accounts payable and accrued liabilities</b>	<b>643,622</b>	<b>494,877</b>

#### 5. Employee future benefits

*(a) Pension benefits*

PSEPC's employees participate in the Public Service Pension Plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and PSEPC contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

For the year ended March 31, 2019

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

The 2018-2019 expense amounts to \$10,010,099 (\$9,905,010 in 2017-18). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2017-18) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2017-18) 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**

Severance benefits provided to the PSEPC's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2019, all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

	<b>2019</b>	2018
	(in thousands of dollars)	
<b>Accrued benefit obligation - Beginning of year</b>	<b>4,934</b>	4,890
Expense for the year	<b>(229)</b>	223
Benefits paid during the year	<b>344</b>	(179)
<b>Accrued benefit obligation - End of year</b>	<b>5,049</b>	4,934

For the year ended March 31, 2019

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

In the event of a natural disaster in Canada, the federal government provides financial assistance to provincial and territorial governments through the Disaster Financial Assistance Arrangements program to help meet the basic costs of response and recovery when such expenditures exceed what an individual province or territory could reasonably be expected to bear on its own. The current outstanding liabilities of \$2,457,560,052 is the estimated cost to PSEPC of 65 natural disaster events for which the Federal Government has agreed to share the costs and final payments have not yet been made.

	2019	2018
	(in thousands of dollars)	
Opening balance	<b>1,965,544</b>	1,824,738
Disbursements	<b>(263,530)</b>	(581,513)
Accrued expenses for the year	<b>755,546</b>	722,319
<b>Closing balance</b>	<b>2,457,560</b>	1,965,544

**7. Accounts receivable and advances**

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

	2019	2018
	(in thousands of dollars)	
Receivables – Other government departments and agencies	<b>2,115</b>	3,622
Receivables – External parties	<b>3,074</b>	2,228
Employee advances	<b>306</b>	290
Subtotal	<b>5,495</b>	6,140
Allowance for doubtful accounts on receivables from external parties	<b>(80)</b>	(80)
<b>Total accounts receivable and advances</b>	<b>5,415</b>	6,060

For the year ended March 31, 2019

### 8. Tangible capital assets

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

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.

<b>Asset Class</b>	<b>Amortization Period</b>
Computer hardware	4 to 7 years
Computer software	3 to 5 years
Other equipment including furniture	5 years
Machinery and Equipment	5 years
Motor Vehicles	3 years
Leasehold improvements	Over the useful life of the improvement or the lease term, whichever is shorter
Assets under construction	once in service, in accordance with asset type

Assets under construction are recorded in the applicable asset class in the year they are put into service and are not amortized until they are put into service.

# Public Safety and Emergency Preparedness

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2019

(in thousands of dollars)

### 8. Tangible capital assets (continued)

Capital asset class	Cost					Accumulated amortization					Net book value	
	Opening balance	Acquisitions	Adjustments	Disposals and write-offs	Closing balance	Opening balance	Amortization	Adjustments	Disposals and write-offs	Closing balance	2019	2018
Computer hardware	5,040	63	(1,838)	0	3,265	2,928	463	(589)	0	2,802	463	2,112
Machinery and equipment	0	0	0	0	0	0	0	0	0	0	0	0
Computer software	1,424	0	385	0	1,809	794	249	(175)	0	868	941	630
Other equipment including furniture	1,342	0	0	0	1,342	1,342	0	0	0	1,342	0	0
Vehicles	177	0	(25)	0	152	91	29	(5)	0	115	37	86
Leasehold improvements	24,894	60	600	0	25,554	16,340	1,060	0	0	17,400	8,154	8,554
Assets under construction	1,105	139	(1,244)	0	0	0	0	0	0	0	0	1,105
<b>Total</b>	<b>33,982</b>	<b>262</b>	<b>(2,122)</b>	<b>0</b>	<b>32,122</b>	<b>21,495</b>	<b>1,801</b>	<b>(769)</b>	<b>0</b>	<b>22,527</b>	<b>9,595</b>	<b>12,487</b>

Effective October 1, 2018, Public Safety Canada transferred out software and hardware with a net book value of \$1,333k to Other Government Department. This transfer is included in the adjustment columns (refer to note 15 for further detail on the transfer).

## Public Safety and Emergency Preparedness

### Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2019

#### 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
	2020	2021	2022	2023	2024 and after	
Transfer payments	(in thousands of dollars)					
	165,333	113,588	91,355	82,815	99,590	<b>552,681</b>

#### 10. Contingent liabilities

##### *Claims and litigation*

Claims have been made against PSEPC in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management are NIL at March 31, 2019 (\$47,110 in 2017-18).

#### 11. Related party transactions

PSEPC is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual. 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

### Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2019

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

	2019	2018
	(in thousands of dollars)	
Accommodation	11,344	11,058
Employer's contribution to the health and dental insurance plans	8,788	9,483
Legal services	1,111	1,149
Workers' compensation	0	10
<b>Total</b>	<b>21,243</b>	<b>21,700</b>

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

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

	2019	2018
	(in thousands of dollars)	
Accounts receivable – Other government departments and agencies	2,115	3,622
Accounts payable – Other government departments and agencies	2,127	3,392
Expenses – Other government departments and agencies	12,951	9,706
Revenues – Other government departments and agencies	2,154	2,045

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

#### 12. Transfer payments

The following table presents details of transfer payments as follows:

	2019	2018
	(in thousands of dollars)	
Payments to other levels of government	866,313	714,210
Payments to Native peoples	115,049	90,909
Payments to non-profit organizations	117,659	87,026
Other transfers to other Countries and International Organizations	807	185
Payments to persons	7,500	0
<b>Total</b>	<b>1,107,328</b>	<b>892,330</b>

# Public Safety and Emergency Preparedness

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2019

### 13. Segmented information

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

Expenses					2019	2018
	National Security	Emergency Management	Countering Crime	Internal Services	Total	Total
Transfer payments	401	851,094	255,833	0	<b>1,107,328</b>	892,330
<b>Operating expenses</b>						
Salaries and employee benefits	21,688	28,278	30,477	47,493	<b>127,936</b>	128,381
Claims against the Crown	0	0	0	0	<b>0</b>	1,596
Professional and special services	2,175	4,921	4,413	11,373	<b>22,882</b>	17,261
Accommodation	1,945	2,534	2,769	7,117	<b>14,365</b>	14,325
Information	487	314	3,489	1,265	<b>5,555</b>	5,487
Travel and relocation	829	1,017	1,428	569	<b>3,843</b>	3,011
Amortization	663	228	28	882	<b>1,801</b>	2,474
Equipment	167	253	35	4,438	<b>4,893</b>	2,411
Equipment rentals	375	153	559	1,223	<b>2,310</b>	2,022
Repairs	0	39	0	2,795	<b>2,834</b>	1,011
Utilities, material and supplies	58	136	89	348	<b>631</b>	475
Communication	5	38	1	276	<b>320</b>	235
Bad debt expenses	0	0	0	0	<b>0</b>	0
Miscellaneous	0	0	0	0	<b>0</b>	1,599
Total operating expenses	28,392	37,911	43,288	77,779	<b>187,370</b>	178,692
<b>Total expenses</b>	<b>28,793</b>	<b>889,005</b>	<b>299,121</b>	<b>77,779</b>	<b>1,294,698</b>	<b>1,071,022</b>
<b>Revenues</b>						
Interdepartmental provision of internal support services	0	0	0	2,154	<b>2,154</b>	2,045
Miscellaneous revenues	0	0	0	69	<b>69</b>	59
Revenues earned on behalf of government	0	0	0	(69)	<b>(69)</b>	(59)
<b>Total revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,154</b>	<b>2,154</b>	<b>2,045</b>
<b>Net cost of operations before government funding and transfers</b>	<b>28,793</b>	<b>889,005</b>	<b>299,121</b>	<b>75,625</b>	<b>1,292,544</b>	<b>1,068,977</b>

# Public Safety and Emergency Preparedness

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2019

### 14. Subsequent events

Pursuant to Orders-in-Council P.C. 2020-220 dated June 22, 2019, the Government of Canada under the Management Emergency Act has agreed to share the costs of one (1) additional natural disaster events for a total of \$3,681,000. The impact of these costs will be reflected in the 2019-20 financial statements.

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

Effective October 1, 2018, the responsibilities to administer the Canadian Cyber Incident Response Centre were transferred to other government departments in accordance with Section 267 of the Budget Implementation Act 2018, No.1.

Accordingly, PSEPC transferred the following assets to the other Government Department:

Assets	(in thousands of dollars)
Tangible capital assets (net book value) (note 8)	1,333
<b>Total assets transferred</b>	<b>1,333</b>

### 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 [2017-18 Departmental Results Report](#) and the [2019-20 Departmental Plan](#).

### 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. The Departmental Financial Management Control Framework is in place and includes:

- Organizational accountability structures as they relate to internal controls to support sound financial management includes roles and responsibilities for senior managers in their areas of responsibility;
- A departmental code of conduct;
- Ongoing communication and training on statutory requirements as well as policies and procedures for sound financial management and control; and
- Quarterly monitoring and regular updates on internal control management including assessment results and action plans to the Deputy Minister, departmental senior management and to the Departmental Audit Committee (DAC).

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

### 2.2 Service Arrangements Relevant to Financial Statements

PSEPC relies on other organizations for the processing of certain transactions that are recorded in its financial statements. These organizations are responsible for ensuring, within the scope of their responsibilities, that a system of internal control is in place and that control measures are designed and operating effectively.

#### Common Arrangements:

- Public Services and Procurement Canada (PSPC) centrally administers the payments of salaries and the procurement of goods and services, as per PSEPC's Delegation of Authority, and provides accommodations services.
- Treasury Board Secretariat provides PSEPC with information used to calculate various accruals and allowances, such as accrued severance pay;
- Employment and Social Development Canada provides Worker's Compensation coverage;
- The Department of Justice provides legal services to PSEPC; and
- Shared Services Canada provides information technology infrastructure services to PSEPC in the areas of e-mail, data centre and network services.

#### Specific Arrangements:

- PSEPC's financial and human resources systems of record are provided by the Royal Canadian Mounted Police (RCMP), who hosts SAP, the Department's Financial Management System (DFMS), and by Correctional Services of Canada, who hosts PeopleSoft, the Department's Human Resources Management System (HRMS). Memorandums of Understanding are in place between PSEPC and these organizations, identifying respective roles and responsibilities. As a result, reliance is placed on the control procedures of the external service provider. The RCMP provided an attestation to PSEPC over the effective functioning and management of the DFMS Information Technology General Controls during fiscal year 2018-19; and
- PSEPC provided 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 are in place between PSEPC and each of these agencies, identifying respective roles and responsibilities. The PSEPC Chief Financial Officer provided to each of the Portfolio Agencies a letter of attestation on internal controls over financial reporting to the effective functioning of the internal controls related to the subject services during fiscal year 2018-19.

### 3. Departmental assessment results during fiscal year 2018-19

The department's internal controls are affected as departments change their people, processes, systems and structures. New controls may need to be introduced and existing controls may need to be amended. PSEPC is committed to review its systems of internal controls to ensure that they are operating effectively and as designed. PSEPC has a rotational plan to assess internal control processes on an ongoing basis.

The internal control monitoring assessments should provide feedback to management on whether the internal controls as implemented for the selected processes are:

- Effective in addressing stated control objectives;
- Properly implemented and understood by employees;
- Being used and complied with on a day-to-day basis; and
- In need of modification or improvement to reflect changes in conditions.

**New or significantly amended key controls:** In the current year, there were no significantly amended key controls in existing processes which required a reassessment. However, in response to the risks posed by the Phoenix pay system, PSEPC continues to maintain additional controls and monitoring to mitigate risks of errors or misstatements.

These additional controls include:

**a) Daily Data Quality Report and Audit**

A daily review of all staffing actions entered in the Human Resource Management System is performed to identify data errors that could trigger a pay issue for immediate correction or identification to the Pay Centre.

**b) Pay Issues Monitoring**

Pay issues are reported to the PSEPC Compensation Liaison team for issue analysis.

**c) Salary Overpayment Identification and Monitoring**

The salary overpayment identification and monitoring tool detects potential unidentified overpayments yet to be acknowledged by the Pay Centre. Problematic transactions are analyzed for immediate correction or identification to the Pay Centre for action.

**d) Stop Salary Payment Controls**

The salary overpayment identification and monitoring tool provides a listing of employees having departed the Public Service. The objective is to stop pay from being released if they continue to be paid beyond their end dates.

**e) Payment Verification Controls**

Payment officers review pay transactions to search for duplicate payments and abnormal or large amounts before releasing pay in the Phoenix Pay System.

**f) Emergency Salary Advance and Priority Payment Monitoring Controls**

All Emergency Salary Advances (ESA) and Priority Payments are recorded and a detailed report is maintained to ensure that payments issued are recovered from the employees' future pay once outstanding pay issues have been resolved.

**Ongoing monitoring program:** The quarterly internal control assessments scheduled as part of the Internal Controls Monitoring Plan for 2018-19 are being conducted in the first half of 2019-20. To deliver the assessments planned for 2018-19, PSEPC has retained the services of a third-party firm to perform an assessment of the following control elements and business processes:

1. Payroll and Benefits
2. Financial Close and Reporting
3. Grants and Contributions
4. Operating Expenditures

The firm is currently performing rigorous design-effectiveness and operations-effectiveness testing of key controls and processes. A management action plan will be developed based on their findings.

The results of the internal control assessments have yet to be delivered and are planned to be reported to the DAC in November 2019.

**4. Departmental action plan**

**4.1 Progress during fiscal year 2018-19**

Previous year’s rotational ongoing monitoring plan for current year	Status
1. Payroll and Benefits	Design and operating effectiveness assessments deferred to 2019-20 and currently underway.
2. Financial Close and Reporting	Design and operating effectiveness assessments deferred to 2019-20 and currently underway.
3. Grants and Contributions & Disaster Financial Assistance Arrangements Process	Design and operating effectiveness assessments deferred to 2019-20 and currently underway.
4. Operating Expenditures	Design and operating effectiveness assessments deferred to 2019-20 and currently underway.

During 2018-19, PSEPC has developed and implemented a management action plan in response to the recommendations from the Office of the Auditor General’s government-wide Audit of Pay. Measures included hiring staff to perform direct entry into Phoenix; synchronizing departmental financial delegated managers and Section 34 managers’ in Phoenix; ensuring effective financial controls over payroll processing; and dedicating staff to prepare and issue Emergency Salary Advances and Priority Payments to employees.

# Public Safety and Emergency Preparedness Canada

## Annex to the Statement of Management Responsibility

### 4.2 Status and action plan for the next fiscal year and subsequent years

The PSEPC rotational ongoing monitoring plan over the next three years, based on an annual validation of the high-risk processes and controls and related adjustments to the ongoing monitoring plan as required, is shown in the following table.

#### Rotational Ongoing Monitoring Plan

Key control areas	Fiscal Year 2018-19*	Fiscal Year 2019-20	Fiscal year 2020-21	Fiscal year 2021-22
Entity-level controls			X	
Information Technology General Controls (under departmental management)		X		
Grants and Contributions & Disaster Financial Assistance Arrangements	X	X		X
Operating Expenditures	X		X	X
Capital Expenditures			X	
Financial Close and Reporting	X			X
Payroll and Benefits	X	X	X	X
Revenue		X		

In addition to the ongoing monitoring rotational plan, PSEPC plans to conduct the following assessment work in future years: deferred control work; remediation to be completed; implementation of internal control over financial management; measures to address Phoenix pay issues; and internal control risk assessments.

\*Note: The assessments of these key control areas were deferred to 2019-20.