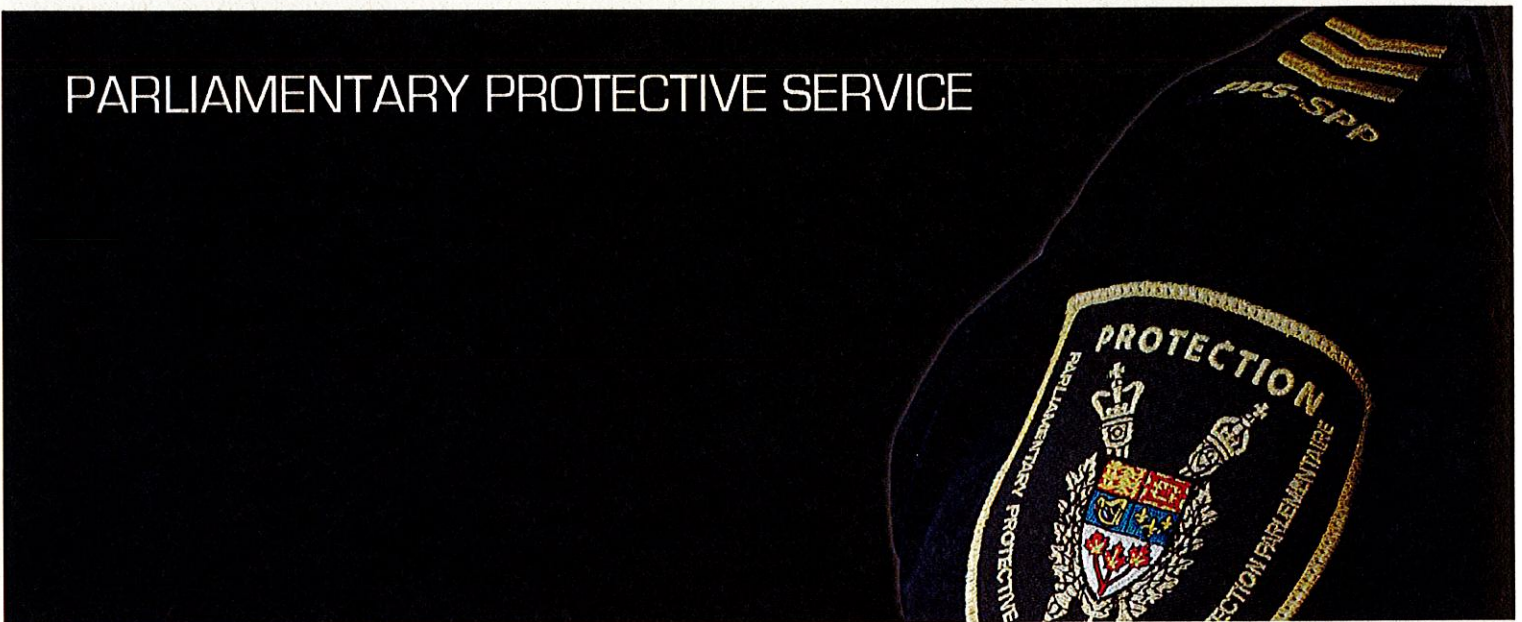




Parliamentary Protective Service  
Service de protection parlementaire  
Canada

# FINANCIAL STATEMENTS

PARLIAMENTARY PROTECTIVE SERVICE



FOR THE YEAR ENDED

**MARCH 31, 2017**

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## Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying Financial Statements of the Parliamentary Protective Service for the year ended March 31, 2017, and of all information contained in these statements rests with management.

These Financial Statements have been prepared by management in accordance with Canadian public sector accounting standards, using management's best estimates and judgement where appropriate, and giving due consideration to materiality. Financial information submitted to the *Public Accounts of Canada* is consistent with these Financial Statements.


Management maintains a system of financial management, and internal control and management practices designed to provide reasonable assurance that the financial information is reliable, that assets are safeguarded, that resources are managed economically and efficiently in the achievement of Parliamentary Protective Service objectives and that transactions reflect the policies in force and statutory requirements.

Management also seeks to ensure the objectivity and integrity of data in its Financial Statements by careful selection, training, and development of qualified staff; by organizational arrangements that provide appropriate divisions of responsibility; and by communication programs aimed at ensuring that regulations, policies, guidelines, standards, and managerial authorities are understood throughout the Parliamentary Protective Service.

At the request of management, these Financial Statements have been audited by KPMG LLP, the independent auditors of the Parliamentary Protective Service.

On behalf of the Parliamentary Protective Service,

  
\_\_\_\_\_  
Jane MacLatchy  
Director, Parliamentary Protective Service

  
\_\_\_\_\_  
Robert Graham  
Chief Financial Officer

Ottawa, Canada  
on the 30<sup>th</sup> day of November 2017



## Independent Auditors' Report

To the Speaker of the Senate of Canada, the Speaker of the House of Commons, and the Commissioner of the Royal Canadian Mounted Police,

We have audited the accompanying financial statements of Parliamentary Protective Service, which comprise the statement of financial position as at March 31, 2017 and March 31, 2016, the statements of operations, change in net debt and cash flows for the year ending March 31, 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Parliamentary Protective Service as at March 31, 2017 and March 31, 2016 and its results of operations, changes in net debt and its cash flows for the year ended March 31, 2017 in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

(date)

Ottawa, Canada



# Statement of Financial Position

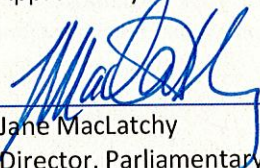
As at March 31


<i>(in thousands of dollars)</i>	2017	2016
<b>Liabilities</b>		
Accounts payable and accrued liabilities ( <i>note 4</i> )	21,792	2,339
Vacation pay and compensatory leave	1,447	1,114
Employee benefits ( <i>note 5</i> )	1,286	1,494
<i>Total liabilities</i>	24,525	4,947
<b>Financial assets</b>		
Due from the Consolidated Revenue Fund	20,475	-
Accounts receivable ( <i>note 6</i> )	992	182
Advances ( <i>note 7</i> )	30	-
<i>Total financial assets</i>	21,497	182
<b>Net debt</b>	3,028	4,765
<b>Non-financial assets</b>		
Prepaid expenses	106	95
Inventory held for use	1,676	755
Tangible capital assets ( <i>note 8</i> )	1,266	577
<i>Total non-financial assets</i>	3,048	1,427
<b>Net financial position</b>	20	(3,338)

Contractual obligations (*note 9*)

Contingent liabilities (*note 10*)

Approved by:

  
Jane MacLatchy  
Director, Parliamentary Protective Service

  
Robert Graham  
Chief Financial Officer

Ottawa, Canada  
on the 30<sup>th</sup> day of November 2017

*The accompanying notes form an integral part of these Financial Statements.*



## Statement of Operations and Net Financial Position

For the year ended March 31

<i>(in thousands of dollars)</i>	<b>Budget</b> <i>(note 11)</i>	<b>2017</b>
<b>Expenses</b>		
<b>Operating</b>		
Salaries and benefits	44,982	45,819
Professional and special services	19,424	19,193
Computers, office equipment, furniture and fixtures	3,757	643
Utilities, materials and supplies	2,795	799
Transportation and communications	450	144
Repair and maintenance	452	170
Rentals	416	113
Accommodations	391	391
Information	250	32
Amortization of tangible capital assets	68	68
Other	-	62
<b>Total expenses</b>	<b>72,985</b>	<b>67,434</b>
<b>Revenues</b>		
Other	9	9
<b>Total revenues</b>	<b>9</b>	<b>9</b>
<b>Net cost of operations</b>	<b>72,976</b>	<b>67,425</b>
<b>Funding and transfers</b>		
Net cash provided by the Consolidated Revenue Fund	-	(46,294)
Change in due from the Consolidated Revenue Fund	-	(20,475)
Services received without charge <i>(note 13 (a))</i>	-	(3,783)
Net transfer from federal government entities	-	(231)
<b>Net cost of operations after funding and transfers</b>	<b>-</b>	<b>(3,358)</b>
<b>Net financial position – beginning of year</b>	<b>-</b>	<b>(3,338)</b>
<b>Net financial position – end of year</b>	<b>-</b>	<b>20</b>

The accompanying notes form an integral part of these Financial Statements.



## Statement of Change in Net Debt

For the year ended March 31

<i>(in thousands of dollars)</i>	2017
<b>Net cost of operations after funding and transfers</b>	<b>(3,358)</b>
<b>Change due to tangible capital assets</b>	
Acquisitions of tangible capital assets	526
Amortization of tangible capital assets	(68)
Transfer of capital assets from federal government entities	231
<b>Total change due to tangible capital assets</b>	<b>689</b>
Change due to inventory held for use	921
Change due to prepaid expenses	11
<b>Net decrease in net debt</b>	<b>(1,737)</b>
<b>Net debt - beginning of year</b>	<b>4,765</b>
<b>Net debt - end of year</b>	<b>3,028</b>

*The accompanying notes form an integral part of these Financial Statements.*





## Statement of Cash Flows

For the year ended March 31

<i>(in thousands of dollars)</i>	2017
<b>Operating activities</b>	
Net cost of operations	67,425
<b>Non-cash items</b>	
Services received without charge ( <i>note 13 (a)</i> )	(3,783)
Amortization of tangible capital assets	(68)
<b>Variations in Statement of Financial Position</b>	
Increase in accounts receivable	810
Increase in advances	30
Increase in prepaid expenses ( <i>note 14</i> )	11
Increase in inventory	921
Increase in accounts payable and accrued liabilities	(19,453)
Increase in vacation pay and compensatory leave	(333)
Decrease in employee benefits	208
<b>Cash used in operating activities</b>	<b>45,768</b>
<b>Capital investing activities</b>	
Acquisition of tangible capital assets	526
<b>Cash used in capital investing activities</b>	<b>526</b>
<b>Net cash provided by the Consolidated Revenue Fund</b>	<b>46,294</b>

*The accompanying notes form an integral part of these Financial Statements.*



# Notes to the Financial Statements

For the year ended March 31

## 1. Authority and objectives

The **Parliamentary Protective Service** is a self-governing institution established on June 23, 2015 as a statutory office by Royal Assent of Bill C-59, *Economic Action Plan Act, No. 1*. The Parliamentary Protective Service brings together the former Senate and House of Commons protection services and the Royal Canadian Mounted Police's Parliament Hill Security Unit into a unified security service.

The Parliamentary Protective Service is led by a Director and reports to the Senate, the House of Commons and the Royal Canadian Mounted Police. For policy and administrative issues related to security services within the Parliamentary Precinct, the Parliamentary Protective Service reports to the Speakers of the Senate and the House of Commons. For all operational issues, the Director reports to the Commissioner of the Royal Canadian Mounted Police through the Commanding Officer of National Division.

The Parliamentary Protective Service is responsible for physical security throughout the Parliamentary Precinct and on the grounds of Parliament Hill. The Parliamentary Protective Service plays a critical role in ensuring the safety of parliamentarians, employees, and visitors within the Parliamentary Precinct. The Parliamentary Protective Service is responsive to the needs of the evolving environment and is responsible for protective operations, scanning and access control, perimeter protection, alarm monitoring, operational communications and ceremonial traditions. In addition to these responsibilities, the Parliamentary Protective Service works closely with various partners to coordinate security and safety efforts across the precinct. Key partners include the Senate Corporate Security Directorate, the House of Commons Corporate Security Office, the Royal Canadian Mounted Police National Division and the Ottawa Police Service.



# Notes to the Financial Statements

For the year ended March 31

## 2. Summary of significant accounting policies

### (a) Basis of presentation

These Financial Statements have been prepared in accordance with Canadian public sector accounting standards.

### (b) Parliamentary authorities

The Parliamentary Protective Service is funded through parliamentary authorities. Financial reporting of authorities provided to the Parliamentary Protective Service does not parallel financial reporting according to Canadian public sector accounting standards, since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provide a high-level reconciliation between the bases of reporting.

### (c) Net cash provided by the Consolidated Revenue Fund

The Parliamentary Protective Service operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Parliamentary Protective Service is deposited to the CRF, and all cash disbursements made by the Parliamentary Protective Service are paid from the CRF. The net cash provided by the CRF is the difference between all cash receipts and all cash disbursements, including transactions with departments of the Government of Canada.

### (d) Due from the Consolidated Revenue Fund

Amounts due from the Consolidated Revenue Fund (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 Parliamentary Protective Service is entitled to draw from the CRF without further appropriations to discharge its liabilities.

### (e) Accounts receivable and advances

Accounts receivable and advances are stated as amounts expected to be ultimately realized.

### (f) Inventory held for use

Inventory held for use consists of consumable parts, uniforms, material, stationery and office supplies held for future activities. Inventory is valued at the lower of cost or net realizable value using the average cost method, and using the first in, first out method for other items.



## Notes to the Financial Statements

For the year ended March 31

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

#### (g) Tangible capital assets

The Parliamentary Protective Service does not capitalize intangibles, works of art or historical treasures that have cultural, aesthetic or historical value. Amounts included in assets under development are transferred to the appropriate asset class upon completion and are then amortized. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

<u>Asset Class</u>	<u>Amortization Period</u>
Informatics hardware and infrastructure	3 years
Software	3 to 5 years
Machinery and equipment	5 to 10 years
Vehicles	5 to 7 years
Other equipment	5 to 10 years
Leasehold improvements	Lesser of 10 years or term of lease
Leased equipment	Lesser of 10 years or term of lease

#### (h) Employee Benefits

##### i. Salaries, benefits, and vacation leave

Salaries, benefits, and vacation leave are expensed as they accrue, in accordance with the terms of employment. The salaries and benefits liability is calculated based on terms of employment using the salary levels at year-end and the number of days remaining unpaid at the end of the year. The liability for vacation leave is calculated at the salary levels in effect at March 31<sup>st</sup> for all unused vacation leave benefits. Vacation pay liabilities payable upon cessation of employment represent the Parliamentary Protective Service obligations that are normally funded through future years' parliamentary authorities.



## Notes to the Financial Statements

For the year ended March 31

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

#### ii. Employee severance benefits

Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as the services necessary to earn them are rendered. The obligation relating to the benefits earned by these employees is calculated as at March 31st, based on the employees' earned number of weeks and their salary as at March 31st.

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 were given the option to be immediately paid the full or partial value of benefits earned to date or to collect the full or remaining value of benefits on termination of their employment. The obligation relating to the benefits earned by these employees is calculated based on the employee's earned number of weeks and their salary as at March 31st.

#### iii. Employee pension benefits

Eligible employees participate in the Public Service Pension Plan under the *Public Service Superannuation Act*, which is sponsored and administered by the Government of Canada. The Parliamentary Protective Service's contributions to the Plan are charged to expenses in the year in which they are incurred and represent the total obligation of the Parliamentary Protective Service to the Plan. The Parliamentary Protective Service is not required under current legislation to make contributions for any actuarial deficiencies of the Plan.



## Notes to the Financial Statements

For the year ended March 31

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

#### (i) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities if 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.

#### (j) Revenues

Revenues are mostly derived from specific event fees where the Parliamentary Protection Service must increase security personnel as a result of the event. Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

#### (k) Services received without charge

Services received without charge from federal government departments for accommodation and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

#### (l) Foreign currency transactions

Transactions involving foreign currencies are converted into Canadian dollar equivalents using the exchange rates in effect at the time of those transactions.

#### (m) Measurement uncertainty

The preparation of these Financial Statements in accordance with Canadian public sector accounting standards requires that management make estimates and assumptions that affect the 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 employee severance 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.



## Notes to the Financial Statements

For the year ended March 31

### 3. Parliamentary authorities

The Parliamentary Protective Service receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Net Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Consequently, the Parliamentary Protective Service has different net results of operations for the year on a parliamentary 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 parliamentary authorities used

<i>(in thousands of dollars)</i>	<b>2017</b>
Net cost of operations	<b>67,425</b>
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>	
Services received without charge (note 13 (a))	<b>(3,783)</b>
Amortization of tangible capital assets	<b>(68)</b>
Employee benefits	<b>208</b>
Refund of previous years' expenditures	<b>24</b>
Vacation pay and compensatory leave	<b>(333)</b>
Other	<b>(226)</b>
	<b>(4,178)</b>
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>	
Acquisitions of tangible capital assets	<b>526</b>
Purchases of inventory	<b>921</b>
Prepaid expenses	<b>34</b>
Other	<b>52</b>
	<b>1,533</b>
<b>Current year authorities used</b>	<b>64,780</b>



## Notes to the Financial Statements

For the year ended March 31

### 3. Parliamentary authorities (continued)

#### (b) Authorities provided and used

<i>(in thousands of dollars)</i>	2017
Vote 1 – Operating expenditures	65,150
Statutory amounts	5,181
	<u>70,331</u>
Less:	
Lapsed – Operating	(5,551)
<b>Current year authorities used</b>	<b><u>64,780</u></b>

### 4. Accounts payable and accrued liabilities

<i>(in thousands of dollars)</i>	2017	2016
Payables – External parties	1,038	228
Payables – Federal government entities	17,525	433
	<u>18,563</u>	<u>661</u>
Accrued liabilities	3,229	1,678
<b>Total accounts payable and accrued liabilities</b>	<b><u>21,792</u></b>	<b><u>2,339</u></b>





## Notes to the Financial Statements

For the year ended March 31

### 5. Employee benefits

#### (a) Employee severance benefits

The Parliamentary Protective Service provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not funded. Benefits will be paid from future authorities. Information about the severance benefits, measured as at March 31, is as follows:

<i>(in thousands of dollars)</i>	2017
Employee severance benefit obligation – beginning of year	1,494
Change in liability for the year	(100)
Benefits paid during the year	(108)
<b>Employee severance benefit obligation – end of year</b>	<b>1,286</b>

### 6. Accounts receivable

<i>(in thousands of dollars)</i>	2017
Receivables – Federal government entities	822
Receivables – External parties	170
<b>Total accounts receivable</b>	<b>992</b>

### 7. Advances

<i>(in thousands of dollars)</i>	2017
Salary advances	30
<b>Total advances</b>	<b>30</b>



**Notes to the Financial Statements**  
For the year ended March 31

**8. Tangible capital assets**

(in thousands of dollars)

	Cost			Accumulated Amortization		Net Book Value	
	March 31, 2016	Acquisitions and Dispositions adjustments	Transfers of assets from OGD	March 31, 2016	Disposals and March 31, 2017	2017	2016
Informatics hardware and infrastructure	19	-	-	19	-	-	-
Software	-	-	-	-	-	-	-
Machinery and equipment	896	(3)	951	319	717	740	577
Vehicles	-	223	-	-	-	223	-
Other equipment	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-
Assets under development	-	303	-	-	-	303	-
<b>Subtotal</b>	<b>915</b>	<b>(3)</b>	<b>951</b>	<b>338</b>	<b>717</b>	<b>1,266</b>	<b>577</b>
Leased equipment	-	-	-	-	-	-	-
<b>Total</b>	<b>915</b>	<b>(3)</b>	<b>951</b>	<b>338</b>	<b>717</b>	<b>1,266</b>	<b>577</b>



## Notes to the Financial Statements

For the year ended March 31

### 9. Contractual obligations

The nature of the Parliamentary Protective Service' activities can result in some large multi-year obligations whereby the Parliamentary Protective Service will be obligated to make future payments when the goods are received and services are rendered. The Parliamentary Protective Service has estimated that there are no contractual obligations to be presented in these Financial Statements.

### 10. Contingent liabilities

As of March 31, 2017, some claims or possible claims against the Parliamentary Protective Service exist, in particular several grievances that are or will be referred to adjudication by the Federal Public Labour Relations and Employment Board. The likelihood of material financial obligations arising is low and cannot be determined at this time.

### 11. Budget figures

Given the difference between parliamentary authorities and Canadian public sector accounting standards, the budget figures presented have been adjusted to conform to the basis of accounting for these Financial Statements. Note 3 provide a high-level reconciliation between the bases of reporting.



## Notes to the Financial Statements

For the year ended March 31

### 12. Employee pension benefits

Employees of the Parliamentary Protective Service 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 two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with the Canada and Quebec Pension Plans benefits and are indexed to inflation.

Both the employees and the Parliamentary Protective Service contribute to the cost of the plan. Contributions made by the Parliamentary Protective Service, are included in salaries and benefits expense, totaled \$3,609,563.

The Parliamentary Protective Service'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.



## Notes to the Financial Statements

For the year ended March 31

### 13. Related party transactions

The Parliamentary Protective Service is related, as a result of common ownership, to all Government of Canada departments, agencies, and Crown corporations. The Parliamentary Protective Service enters into transactions with these entities in the normal course of business and on normal trade terms.

#### (a) Services received without charge

During the year, the Parliamentary Protective Service received services that were obtained without charge from federal government departments and agencies. These services received without charge have been recorded in the Parliamentary Protective Service's Statement of Operations and Net Financial Position as follows:

<i>(in thousands of dollars)</i>	<b>2017</b>
Public Services and Procurement Canada – Accommodations	<b>391</b>
Treasury Board Secretariat – Employer's share of insurance premiums	<b>3,392</b>
<b>Total services received without charge</b>	<b>3,783</b>

The Government of Canada has centralized some of its administrative activities to ensure the efficient and cost effective delivery of programs to the public. As a result, common service organizations provide specific services to all federal government departments and agencies without charge. The cost of these services, such as payroll and cheque issuance services provided by Public Services and Procurement Canada, is not included as an expense in the Parliamentary Protective Service's Statement of Operations and Net Financial Position.

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

Expenses shown below include services received without charge as described in section (a) of this note.

<i>(in thousands of dollars)</i>	<b>2017</b>
Expenses – Federal government entities	<b>26,752</b>



## Notes to the Financial Statements

For the year ended March 31

### 14. Accounting for the effects of a government reorganization

The Parliamentary Protective Service was created on June 23, 2015, but the official transfer of opening assets and liabilities occurred only on March 31, 2016. The 2016 comparative figures presented in the Statement of Financial Position represent the assets and liabilities transferred to the Parliamentary Protective Service from the Senate, the House of Commons and the Royal Canadian Mounted Police.

