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CANADA SCHOOL OF PUBLIC SERVICE

FINANCIAL STATEMENTS

(Unaudited)

For the year ended March 31, 2014

myschool-monecole.gc.ca

Canada

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2014, and all information contained in these statements rests with the management of the Canada School of Public Service (the School). 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 judgement 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 School's financial transactions. Financial information submitted in the preparation of the *Public Accounts of Canada* and included in the School's Departmental Performance Report is consistent with these financial statements.

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

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the School and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls and to make any necessary adjustments.

The School will be subject to periodic Core Control Audits performed by the Office of the Comptroller General and will use the results of such audits to adhere to the Treasury Board Policy on Internal Control.

In the interim, the School has undertaken a risk-based assessment of the system of ICFR for the year ended March 31, 2014, in accordance with the Treasury Board Policy on Internal Control. The results and action plan are summarized in the annex.

The financial statements of the School have not been audited.

Original signed by:	*Original signed by:*
______________________	____
Linda Lizotte-MacPherson Deputy Minister/President	Danielle May-Cuconato Vice-President, Chief Financial Officer and Head of Human Resources Corporate Management and Registration Services Branch Human Resources and Workplace Management Directorate

Ottawa, Canada
August 29, 2014

Statement of Financial Position (Unaudited)

As at March 31 **(in thousands of dollars)**	**2014**	**2013**
Liabilities		
Accounts payable and accrued liabilities (note 4)	**6,827**	7,331
Vacation pay and compensatory leave	**2,629**	2,836
Employee future benefits (note 5)	**2,462**	5,982
Other liabilities	**35**	9
Total liabilities	**11,953**	16,158
Financial assets		
Due from the Consolidated Revenue Fund	**5,674**	6,095
Accounts receivable and advances (note 6)	**1,187**	1,906
Total financial assets	**6,861**	8,001
Departmental net debt	**5,092**	8,157
Non-financial assets		
Prepaid expenses	**375**	274
Tangible capital assets (note 7)	**2,796**	3,617
Total non-financial assets	**3,171**	3,891
Departmental net financial position	**(1,921)**	(4,266)

Contractual obligations (note 8)

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

Original signed by:

Linda Lizotte-MacPherson
Deputy Minister/President

Original signed by:

Danielle May-Cuconato
Vice-President, Chief Financial Officer and Head of Human Resources
Corporate Management and Registration Services Branch
Human Resources and Workplace Management Directorate

Ottawa, Canada
August 29, 2014

Statement of Operations and Departmental Net Financial Position (Unaudited)

For the year ended March 31 (in thousands of dollars)	Planned Results 2014	2014	2013
Expenses			
Foundational Learning	**68,291**	**47,532**	55,650
Organizational Leadership Development	**11,437**	**9,063**	9,822
Public Sector Management Innovation	**7,581**	**9,367**	10,985
Internal Services	**24,960**	**30,437**	34,402
Total expenses	**112,269**	**96,399**	110,859
Revenues			
Sales of goods and services	**50,000**	**41,086**	46,771
Other revenues	**-**	**5**	21
Total revenues	**50,000**	**41,091**	46,792
Net cost of operations before government funding and transfers	**62,269**	**55,308**	64,067
Government funding and transfers			
Net cash provided by Government	**49,132**	**44,133**	55,339
Change in due from Consolidated Revenue Fund	**(471)**	**(421)**	(3,747)
Services provided without charge by other government departments (note 9)	**14,806**	**13,941**	14,395
Transfer of tangible capital assets from other government departments	**-**	**-**	16
Net cost (revenue) of operations after government funding and transfers	**(1,198)**	**(2,345)**	(1,936)
Departmental net financial position – Beginning of year	**(1,624)**	**(4,266)**	(6,202)
Departmental net financial position – End of year	**(426)**	**(1,921)**	(4,266)

Segmented information (note 10)

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

Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31 (in thousands of dollars)	Planned Results 2014	2014	2013
Net cost (revenue) of operations after government funding and transfers	**(1,198)**	**(2,345)**	(1,936)
Change due to tangible capital assets			
Acquisition of tangible capital assets	**1,111**	**973**	584
Amortization of tangible capital assets	**(1,794)**	**(1,794)**	(1,453)
Net loss on disposal of tangible capital assets, including adjustments	**-**	**-**	(51)
Proceeds from disposal of tangible capital assets	**-**	**-**	(9)
Transfer from other government departments	**-**	**-**	16
Total change due to tangible capital assets	**(683)**	**(821)**	(913)
Change due to prepaid expenses	**-**	**101**	227
Net decrease in departmental net debt	**(1,881)**	**(3,065)**	(2,622)
Departmental net debt – Beginning of year	**5,473**	**8,157**	10,779
Departmental net debt – End of year	**3,592**	**5,092**	8,157

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

Statement of Cash Flows (Unaudited)

For the year ended March 31 (in thousands of dollars)	2014	2013
Operating activities		
Net cost of operations before government funding and transfers	**55,308**	64,067
Non-cash items		
Amortization of tangible capital assets (note 7)	**(1,794)**	(1,453)
Loss on disposal of tangible capital assets	**-**	(51)
Services provided without charge by other government departments (note 9)	**(13,941)**	(14,395)
Variations in Statement of Financial Position		
Increase (decrease) in accounts receivable and accountable advances	**(719)**	895
Increase in prepaid expenses	**101**	227
Decrease in accounts payable and accrued liabilities	**504**	4,924
Decrease in vacation pay and compensatory leave	**207**	169
Decrease in employee future benefits	**3,520**	379
Decrease (increase) in other liabilities	**(26)**	2
Cash used in operating activities	**43,160**	54,764
Capital investing activities		
Acquisitions of tangible capital assets (note 7)	**973**	584
Proceeds from disposal of tangible capital assets	**-**	(9)
Cash used in capital investing activities	**973**	575
Net cash provided by Government of Canada	**44,133**	55,339

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

Notes to the Financial Statements (Unaudited)

For the year ended March 31

1. Authority and objectives

On April 1, 2004, amendments to the *Canadian Centre for Management Development Act* were proclaimed and the organization was renamed the Canada School of Public Service (the School). The amended legislation, now entitled the *Canada School of Public Service Act*, continues and expands the mandate of the former organization as a departmental corporation. The School reports to the President of the Treasury Board.

The School has a single strategic outcome: “Public servants have the common knowledge and the leadership and management competencies they require to fulfill their responsibilities in serving Canadians.” Four programs support this strategic outcome:

Foundational Learning

Organizational Leadership Development

Public Sector Management Innovation

Internal Services

The School was created to ensure that all employees of the Public Service of Canada have the required competencies and common knowledge to serve Canadians in the most efficient and effective way possible. To achieve this goal, the School continues to offer a strong, consistent curriculum that focuses on the key skills and knowledge required by a dynamic public service that must constantly adapt to the needs of its stakeholders and Canadians.

2. Summary of significant accounting policies

These financial statements have been prepared using the Government’s accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Parliamentary authorities

The School is financed primarily by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the School does 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 and the Statement of Change in Departmental Net Debt are the amounts reported in the future-oriented financial statements included in the *2013-14 Report on Plans and Priorities*.

Notes to the Financial Statements (Unaudited)

For the year ended March 31

2. Summary of significant accounting policies (Continued)

(b) Net cash provided by Government

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

(e) Expenses

Expenses are recorded on the accrual basis:

- ✓ Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- ✓ Services provided without charge by other government departments for accommodation and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

- ✓ **Pension benefits:** Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government of Canada. The School's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The School'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.
- ✓ **Severance benefits:** Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

Notes to the Financial Statements (Unaudited)

For the year ended March 31

2. Summary of significant accounting policies (Continued)

(g) Accounts receivable and advances

Accounts receivable and advances are stated at the lower of cost or net recoverable value. A valuation allowance is recorded for receivables where recovery is considered uncertain.

(h) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of $5,000 or more are recorded at their acquisition cost. The School does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

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

Asset class	Amortization period
Machinery and Equipment	5-10 years
Other Equipment (including furniture)	5-12 years
Informatics Hardware	3-5 years
Software (including developed software)	3-5 years
Motor Vehicles	4 years
Leasehold Improvements	2-10 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.

(i) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the allowance for doubtful accounts, 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.

Notes to the Financial Statements (Unaudited)

For the year ended March 31

3. Parliamentary authorities

The School 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, the School has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

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

(in thousands of dollars)	**2014**	**2013**
Net cost of operations before government funding and transfers	**55,308**	64,067
Adjustments for items affecting net cost of operations but not affecting authorities		
Revenues	**41,091**	46,792
Services provided without charge by other government departments	**(13,941)**	(14,395)
Decrease in employee future benefits	**3,520**	379
Amortization of tangible capital assets	**(1,794)**	(1,453)
Loss on disposal of tangible capital assets	**-**	(51)
Prior year adjustments	**575**	1,031
Provision for vacation pay and compensatory leave	**144**	146
Other	**(1,215)**	(62)
Total adjustments for items affecting net cost of operations but not affecting authorities	**28,380**	32,387
Adjustments for items not affecting net cost of operations but affecting authorities		
Acquisition of tangible capital assets (note 7)	**973**	584
Increase in prepaid expenses	**101**	227
Total adjustments for items not affecting net cost of operations but affecting authorities	**1,074**	811
Current year authorities used	**84,762**	97,265

Notes to the Financial Statements (Unaudited)

For the year ended March 31

3. Parliamentary authorities (Continued)

(b) Authorities provided and used

(in thousands of dollars)	**2014**	**2013**
Authorities provided		
Vote 40 – Program expenditures	**45,980**	51,793
Less		
Lapsed authorities	**(3,159)**	(6,341)
Total authorities used	**42,821**	45,452
Statutory authorities		
Spending of revenues pursuant to subsection 18(2) of the *Canada School of Public Service Act*	**33,245**	42,003
Contributions to employee benefits plan	**8,683**	9,809
Spending of proceeds from the disposal of surplus Crown assets	**13**	1
Total statutory authorities used	**41,941**	51,813
Current year authorities used	**84,762**	97,265

4. Accounts payable and accrued liabilities

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

(in thousands of dollars)	**2014**	**2013**
Accounts payable – Other government departments and agencies	**3,309**	4,396
Accounts payable – External parties	**650**	1,506
Total accounts payable	**3,959**	5,902
Accrued liabilities	**2,868**	1,429
Total accounts payable and accrued liabilities	**6,827**	7,331

Notes to the Financial Statements (Unaudited)

For the year ended March 31

5. Employee future benefits

(a) Pension benefits

The School'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 the Canada/Québec Pension Plans benefits, and they are indexed to inflation.

Both the employees and the School 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 consists of existing plan members as of December 31, 2012 and Group 2 consists of members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2013-14 expense amounts to $6.1 million ($7.0 million in 2012-13). For Group 1 members, the expense represents approximately 1.6 times (1.7 times in 2012-13) the employee contributions and, for Group 2 members, approximately 1.5 times (1.6 times in 2012-13) the employee contributions.

The School's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits

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

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in fiscal year 2011-2012. 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 to collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation. Information about the severance benefits, measured as at March 31, is as follows:

(in thousands of dollars)	**2014**	**2013**
Accrued benefit obligation – beginning of year	**5,982**	6,361
Expense for the year	**143**	5,167
Benefits paid during the year	**(3,663)**	(5,546)
Accrued benefit obligation – end of year	**2,462**	5,982

Notes to the Financial Statements (Unaudited)

For the year ended March 31

6. Accounts receivable and advances

The following table presents details of the School’s accounts receivable and advances balances:

(in thousands of dollars)	**2014**	**2013**
Receivables – Other government departments and agencies	**426**	1,304
Receivables – External parties	**782**	628
Employee advances	**16**	9
Subtotal	**1,224**	1,941
Allowance for doubtful accounts on receivables from external parties	**(37)**	(35)
Accounts receivable and advances	**1,187**	1,906

Notes to the Financial Statements (Unaudited)

For the year ended March 31

7. Tangible capital assets

	(in thousands of dollars)											
	Cost					Accumulated amortization					Net book value	
Capital asset class	**Opening balance**	**Acquisitions**	**Adjustments**	**Disposals and write-offs**	**Closing balance**	**Opening balance**	**Amortization**	**Adjustments**	**Disposals and write-offs**	**Closing balance**	**2014**	**2013**
Machinery and equipment	1,161	-	-	(30)	1,131	1,055	36	-	(30)	1,061	70	106
Other equipment (including furniture)	161	6	-	(11)	156	103	10	-	(11)	102	54	58
Informatics hardware	240	10	-	-	250	119	43	-	-	162	88	121
Software (including developed software)	7,546	37	1,005	-	8,588	4,942	1,645	-	-	6,587	2,001	2,604
Motor vehicles	25	26	-	-	51	11	5	-	-	16	35	14
Leasehold improvements	658	20	297	-	975	506	55	-	-	561	414	152
Assets under construction	562	874	(1,302)	-	134	-	-	-	-	-	134	562
Total	**10,353**	**973**	**-**	**(41)**	**11,285**	**6,736**	**1,794**	**-**	**(41)**	**8,489**	**2,796**	**3,617**

The adjustments represent assets under construction of $1,302,000 that were transferred to the other categories upon completion of the assets.

Notes to the Financial Statements (Unaudited)

For the year ended March 31

8. Contractual obligations

The nature of the School's activities can result in some large multi-year contracts and obligations whereby the School will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	**Operating leases**
2015	1,110
2016	344
2017	201
2018	72
2019 and thereafter	72
Total contractual obligations	**1,799**

9. Related party transactions

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

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

During the year, the School received services without charge from certain common service organizations related to accommodation and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in the School's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	**2014**	**2013**
Accommodation	**9,403**	9,073
Employer's contribution to the health and dental insurance plans	**4,538**	5,322
Total common services provided without charge from other government departments	**13,941**	14,395

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

Notes to the Financial Statements (Unaudited)

For the year ended March 31

9. Related party transactions (Continued)

(b) Other transactions with related parties

(in thousands of dollars)	2014	2013
Expenses – Other government departments and agencies	**20,576**	20,199
Revenues – Other government departments and agencies	**39,464**	45,594

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

10. Segmented information

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

(in thousands of dollars)	Foundational Learning	Organizational Leadership Development	Public Sector Management Innovation	Internal Services	2014	2013
Operating expenses						
Salaries and employee benefits	32,206	6,486	6,859	19,142	**64,693**	73,455
Professional and special services	7,884	1,287	1,162	4,368	**14,701**	20,166
Rental of accommodation and equipment	5,098	999	1,053	4,126	**11,276**	11,099
Transportation and telecommunications	1,287	111	154	213	**1,765**	1,959
Utilities, materials and supplies	199	39	18	203	**459**	642
Small equipment and parts	378	48	52	349	**827**	933
Printing and publishing	441	28	68	89	**626**	847
Amortization of tangible capital assets	15	-	-	1,779	**1,794**	1,453
Repair and maintenance	23	-	-	67	**90**	85
Other operating expenses	1	65	1	101	**168**	169
Loss on disposal of tangible capital assets	-	-	-	-	**-**	51
Total expenses	47,532	9,063	9,367	30,437	**96,399**	110,859
Revenues						
Sales of goods and services	32,385	5,434	2,915	352	**41,086**	46,771
Other revenues	-	-	-	5	**5**	21
Total revenues	32,385	5,434	2,915	357	**41,091**	46,792
Net cost of operations before government funding and transfers	**15,147**	**3,629**	**6,452**	**30,080**	**55,308**	64,067

Annex to the Statement of Management Responsibility

1. Introduction

In support of an effective system of internal control, the School annually assesses the performance of its financial controls to ensure that

- financial arrangements or contracts are entered into only when sufficient funding is available;
- payments for goods and services are made only when the goods or services are received or the conditions of contracts or other arrangements have been satisfied; and
- payments have been properly authorized.

The School will leverage the results of the periodic audit of core controls performed by the Office of the Comptroller General.

Below is a summary of the results of the self-assessment the School conducted during fiscal year 2013-14.

2. Self-assessment results for fiscal year 2013-14

In 2013-14 the School performed an assessment of key controls to confirm compliance with the *Financial Administration Act*:

- Section 32: Expenditure initiation and commitment control, spending authority
- Section 34: Account verification, certification authority
- Section 33: Payment authority

The overall results of the self-assessment demonstrated that key controls are in place and working as intended with the exception of the following:

- A small number of low-value transactions did not have evidence that section 32 expenditure initiation and commitment control procedures were consistently followed.

3. Assessment plan

The School has implemented measures to address the exception noted above.