

# **Privy Council Office**

**2005-2006**

## **Departmental Performance Report**

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The Right Honourable Stephen Harper  
Prime Minister of Canada



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# **Section I**

## **Overview**





## Prime Minister's Message

I am pleased to present the *2005-2006 Departmental Performance Report* for the Privy Council Office (PCO). This document summarizes the achievements of the Privy Council Office in meeting its objectives, as outlined in the *2005-2006 Report on Plans and Priorities*.

The Privy Council Office occupies a unique role in Canada's Public Service. It provides high-quality, non-partisan, professional advice to the Prime Minister, ensures the smooth functioning of the government's day-to-day

operations, supports the Cabinet system and coordinates Public Service renewal.

The past year has been a challenging one for the employees of the Privy Council Office. In addition to being responsible for policy development in a few areas, PCO employees also provided professional guidance and support during the transition period for Canada's new Government, which took office in early February 2006.

Significant advice and support were provided by the Privy Council Office to a number of initiatives launched by the Government, including Budget 2006, the Universal Child Care Plan and the Federal Accountability Act.

In conclusion, I am confident that with the high levels of expertise and professionalism resident in the Privy Council Office, together with the efforts of the entire Public Service, Canadians will be well served over the coming years.





# Management Representation Statement

I submit, for tabling in Parliament, the *2005-2006 Departmental Performance Report* (DPR) for the Privy Council Office.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2005-2006 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- it adheres to the specific reporting requirements outlined in the TBS guidance;
- it is based on the Department's approved Program Activity Architecture structure as reflected in its MRRS;
- it presents consistent, comprehensive, balanced and reliable information;
- it provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- it reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

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Kevin G. Lynch  
Clerk of the Privy Council and Secretary to the Cabinet



# Summary Information

## Raison d'être

The mandate of the Privy Council Office (PCO) is as follows:

To serve Canada and Canadians by providing the best professional, non-partisan advice and support to the Prime Minister, the Ministers within the Prime Minister's portfolio, and the Cabinet.

PCO contributes significantly to the development of a clearly articulated agenda of Government policy, coordinates timely responses to issues facing the Government and the country, and supports the effective operation of the Cabinet and the government. PCO works to maintain the highest professional and ethical standards in the federal Public Service and to ensure that the Prime Minister and others it serves receive best-quality, consistent and appropriate policy advice and objective recommendations.

The main roles of PCO are to:

- provide professional, non-partisan advice to the Prime Minister and other Ministers in the Prime Minister's portfolio, and to Cabinet, on questions of national and international importance;
- manage the Cabinet's decision-making system by challenging and coordinating departmental policy proposals, conducting policy analysis and providing secretariat services to the Cabinet and Cabinet committees;
- provide advice on the appropriate structure and organization of the government and its entities;
- help foster a strong Public Service for the 21st century – one that is effective, efficient and accountable; and
- provide administrative support to the Prime Minister's Office, Ministers' offices within the Prime Minister's portfolio, commissions of inquiry, task forces and other independent bodies considering matters associated with good governance in Canada.

## Resource Summary

PCO is funded through appropriation and statutory votes. Therefore, at year end, any unspent funding lapses and all its revenues (since PCO does not have authority to spend revenues) are reported under the Consolidated Revenue Fund.

**Financial Resources for the Department (thousands of dollars)**

<b>Planned Spending</b>	<b>Total Authorities</b>	<b>Actual Spending</b>
148,987	174,576	2,318

**Total Human Resources for the Department (full-time equivalents)**

<b>Planned</b>	<b>Actual</b>	<b>Difference</b>
1,117	1,032	85

The Actual Spending amount of 2,318 thousand is the amount presented in the Public Accounts for the year ended March 31, 2006. The net cost of operations presented in the financial statements for 2005-2006 was \$188,336 thousand. The major difference between these amounts is an expense for services provided without charge of \$22.4 million, which must be presented in the financial statements. For more information, please refer to note 3a of the financial statements for a reconciliation of expenses between the financial statements and the Public Accounts and to note 12 for a description of services provided without charge.

The 2005-2006 DPR and financial statements were prepared based on Treasury Board Secretariat reporting requirements for Program Activity Architecture (PAA) and reflect the Management, Resources and Results Structure (MRRS) for PCO. As a result, in the 2005-2006 DPR and financial statements, charges for Corporate Services activities that were presented separately in prior years have now been distributed among Program Activities. Moreover, services received without charge from other departments have been distributed among Program Activities in the 2005-2006 financial statements only. Please refer to note 14 of the financial statements for more information on the impact of this change.

## **Strategic outcomes for 2005-2006**

- **Strategic Outcome 1**  
The policy and program agenda of the Government of Canada is effectively coordinated and the government is structured to respond efficiently to the needs of Canadians.
  
- **Strategic Outcome 2**  
Subjects that need investigation or further study are handled independently from the government.

## Overall Departmental Performance

Fiscal year 2005-2006 was challenging for PCO, as, with an election on January 23, 2006, the organization provided advice, support and service to two governments, and support during the transition between governments. PCO provided the Prime Minister with advice on issues pertaining to his prerogative, including government machinery changes, the appointment of public office holders and the establishment of their mandates, the organization of Cabinet and establishment of Cabinet committees, and the revision of rules governing the Cabinet decision-making process and ministerial accountability and responsibility. PCO also provided the Prime Minister with advice on the policy environment and the key challenges and opportunities facing Canada.

Due to the change of government during the year, many plans set out in the *2005-2006 Report on Plans and Priorities* changed. As is typical in the demanding environment of PCO, other activities such as transition and development of other key government priorities, for example the Federal Accountability Act, replaced plans previously articulated in the RPP. Despite the change in plans, PCO still was able to successfully meet the expected results for most of its priorities, as set out in Table 1.

During 2005-2006, PCO served two consecutive minority governments. PCO **contributed to Government of Canada policy development** in the areas of social, economic and international policy by working with departments to prepare ministerial proposals for Cabinet and performing a “challenge function” on these proposals to ensure new proposals, existing policies and government objectives are all complementary. PCO also played the traditional roles of managing the flow of Cabinet business and supporting Cabinet and its committees.

In addition, it **was responsible for policy development** in the areas of Democratic Reform and Smart Regulation and supported Ministers who were responsible for these policies.

In order to more effectively support the Prime Minister and the Ministers in his portfolio, PCO refocused its activities to better reflect its traditional role, resulting in the **reorganization and downsizing of PCO** during the final part of 2005-2006 and the early part of 2006-2007. Secretariats and teams that were not engaged in supporting the institutional role of PCO were reassigned to departments and agencies with clear mandates for these areas. As a result, PCO is a smaller organization that is able to be more focused on providing context, coherence, coordination and challenge to policy development. Another benefit of the reorganization is increased clarity concerning the respective roles of PCO and relevant departments and agencies.

The performance summary presented in Table 1 lists PCO’s major priorities and expected results, together with the resources associated with each priority.

**Table 1 – Summary of Performance in Relationship to Departmental Strategic Outcomes, Priorities and Commitments<sup>1</sup> (thousands of dollars)**

Strategic Outcome	2005-2006 Priorities	Planned Spending <sup>2</sup>	Actual Spending <sup>3</sup>	Expected Results and Current Status
1: The policy and program agenda of the Government of Canada is effectively coordinated and the government is structured to respond efficiently to the needs of Canadians <sup>4</sup>	a) Focus on key policy areas	\$67,600	\$70,561	The Prime Minister and Ministers receive sound advice for decision making. <sup>5</sup>
	b) Improve the management of the government	\$12,300	\$11,210	Cabinet decision making and the legislative agenda are effectively supported. <sup>5</sup> The Prime Minister and Ministers receive sound advice for decision making. <sup>5</sup> Fostering the overall development of the Public Service is targeted as a priority; further progress required. <sup>5</sup>
	c) Conduct medium-term policy planning	\$20,700	\$21,639	Cabinet receives sound advice on the development and implementation of the policy agenda. <sup>5</sup>
	d) Strengthen PCO's internal management practices	\$4,200	\$3,529	Strengthen internal management practices; partially met expectations and further progress targeted for this year.
2: Subjects that need investigation or further study are handled independently from the government	e) Support independent commissions of inquiry on major issues <sup>6</sup>	\$3,662	\$16,802	Met expectations

<sup>1</sup> This *Departmental Performance Report 2005-2006* uses the approved Program Activity Architecture (PAA) of PCO's departmental Management, Resources and Results Structure (MRRS). A new PAA was approved by TB Ministers and used to prepare PCO's 2006-2007 RPP.

<sup>2</sup> The amounts shown in this summary do not equal the total departmental spending because only key priorities are included here. Other costs include, for example, the Prime Minister's Office, Ministers' Offices, and ongoing responsibilities such as the provision of legal advice and internal security operations.

<sup>3</sup> As above.

<sup>4</sup> A wording change has been applied to Strategic Outcome 1 to reflect the intent of the organization more accurately.

<sup>5</sup> Given the unique situation that occurs during a year when there is a transition between two different governments, a simple rating is not possible. Therefore, the current status is described in the section immediately following the table.

<sup>6</sup> The wording of this priority indicates that PCO supports commissions of inquiry. PCO does not, itself, conduct inquiries.

Over the course of the year, PCO continued to **focus on key policy areas** by conducting policy analysis and coordinating the development of government solutions to the major policy issues facing Canada.

PCO was able to **support effective management in government** through its contribution to a smooth transition between the outgoing and incoming governments. It streamlined its structure and processes as part of its support to Cabinet, was instrumental in the development of legislation surrounding one of the five priorities of the new Government (the Federal Accountability Act), and was involved in initiatives related to democratic reform, ministerial and deputy ministerial accountability, and Public Service modernization.

PCO strengthened its overall **policy development** capacity through improved integration of the medium-term policy work of the Policy Research Initiative into the policy development work of departments and agencies, consistent with the Government's priorities and directions.

As well, to **strengthen internal management practices**, PCO continued to emphasize learning and development and improved openness and transparency by regularly posting some expenditures proactively on its website. Nevertheless, work remains to be done in order for PCO to adopt the most modern management strategies and tools. To support the successful implementation of the Public Service Modernization Act in PCO, mandatory training on the Act and its implications, as well as training on the delegation of staffing authorities, was provided to senior management.

In terms of **support of major commissions of inquiry**, PCO provided support to two commissions of inquiry over the course of the year.

## **Working Environment and Context**

PCO's priorities depended in large part on the Government's agenda and were subject to a variety of external and internal influences and pressures, which are described below.

### ***Constantly changing environment***

PCO supported two consecutive minority governments and two Clerks. PCO devoted sufficient resources to ensure a smooth transition between the outgoing and incoming Governments. For example, specialized employees were assigned to help the incoming government develop legislation surrounding one of its five priorities, the Federal Accountability Act. As well, PCO underwent significant restructuring to refocus the efforts of its secretariats on their core functions.

The constantly changing policy environment in which PCO functioned placed considerable pressure on the organization to be attuned to a wide variety of trends and events around the world. The emergence of new issues required prompt access to the appropriate policy expertise within the federal system and the ability to quickly mobilize

policy advice and facilitate evidence-based decision making. This required a strong capability within PCO to identify emerging issues and establish strong networks with all partners, including other levels of government, in order to provide effective support to the Prime Minister and the Cabinet.

### ***Maintaining PCO as a professional, non-partisan advisor***

Given its unique role within the government, PCO must ensure that its policy advice remains accurate, reliable, relevant and comprehensive. PCO played an important role in supporting the outgoing and incoming governments through the transition period and was instrumental in helping to prepare a new Speech from the Throne and a new Budget, all of which were important occasions for ensuring the provision of non-partisan and professional advice.

### ***Maintaining continuity of policy expertise and analytical capability***

To properly fulfill its role of providing sound policy advice to the Prime Minister and the Cabinet, PCO must be able to obtain the most current assessments on the policy issues of the day and attract respected and credible policy experts with specific subject-matter expertise. While movement of staff into and out of the organization brought fresh new ideas to PCO, this turnover of staff also presented a certain risk in terms of retaining expertise and corporate memory and also maintaining continuity in the policy development process. In this situation, succession planning was essential, as were strong capabilities in information, records and library management to provide access to the necessary corporate records and information resources throughout PCO and beyond.

### ***Public expectations for increased accountability***

The Canadian public demands increased accountability on the part of public officials. As well, there are mounting expectations for faster delivery of more services for the same tax dollars, more efficient and effective use of public resources, greater transparency and ethical decision making.

With the increased focus on accountability, it is critical for the central agencies to concentrate on setting the broad policy framework to guide how policy is developed, the fiscal framework within which the government operates, the accountability regime to shape how the government performs, and the human resources management framework anchored in Public Service values and ethics.

## **Alignment of PCO's Outcomes with Government of Canada Outcomes**

PCO's strategic outcomes and program activities (outlined in detail in Section II) are aligned with all Government of Canada outcomes: economic, social and international. PCO provides support to departments and agencies, and they contribute to strengthening and modernizing public sector management, and Public Service renewal.



## **Section II**

# **Analysis of Program Activities by Strategic Outcome**



## Introduction

For the period 2005-2006, PCO had two strategic outcomes, but the first one represented most of the organization's activities. Therefore, the focus in this performance report is on PCO's core business activity: Secretariats and Advisors. PCO also provides administrative support to the Office of the Prime Minister, to Ministers' Offices and to commissions of inquiry, task forces and others.

It should be noted that the information on PCO's performance, resources and results in this DPR is based on the Program Activity Architecture (PAA) that was developed in 2004-2005. A revised PAA was approved by the TB Ministers on August 30, 2005, and was used in the 2006-2007 RPP. Over the next year, PCO will be revising this PAA to reflect its recent reorganization to focus on core functions. At the same time, PCO will develop a performance measurement strategy that will be linked to the new PAA and will address PCO's operating environment.

## Strategic Outcome 1 – Coherent Policy Agenda

*The policy and program agenda of the Government of Canada is effectively coordinated and the government is structured to respond efficiently to the needs of Canadians.*

### Program Activity: Secretariats and Advisors

#### Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual Spending
115,821	119,017	117,081

#### Human Resources (full-time equivalents)

Planned Spending	Total Authorities	Actual Spending
881	899	787

#### Description

The Secretariats and Advisors program activity provides Public Service support to the Prime Minister and Cabinet in the operation of the central policy decision-making process and provides advice and information to the Prime Minister in the discharge of his responsibilities as head of Government and chair of Cabinet. This includes providing the necessary Public Service advice and support to Ministers in the Prime Minister's portfolio.

Fulfilling this objective involves working with federal departments and agencies to provide the best, professional, non-partisan advice and information. PCO works with the provincial and territorial governments to understand regional issues and must be knowledgeable about international developments and their implications for Canada.

Another aspect of this activity is to ensure that the Public Service has the capacity to serve Canadians and their elected representatives in the years ahead. The Clerk, as Head of the Public Service, has a leadership role within the Public Service in developing strategies necessary to adapt, sustain and build Public Service capacity for now and into the future.

Acting as the secretariat to the Cabinet and its committees, the Secretariats and Advisors program activity provides Public Service policy information and advice to the Prime Minister, to Ministers in the Prime Minister's portfolio, to Cabinet, to Cabinet committees, to Treasury Board in its capacity as Council for Governor-in-Council decisions, as well as to advisory and ad hoc committees. The Treasury Board is also supported by the Treasury Board Secretariat and Public Service Human Resources Management Agency of Canada (PSHRMAC).

<b>Expected Results</b>	<b>Priorities Supported (2005-2006 RPP)</b>	<b>Performance Indicators</b>
Cabinet decision making and the legislative agenda are effectively supported.	Focus on key policy areas.  Improve the management of the government.	Reporting on the consultation, coordination and integration mechanisms managed by PCO in support of Cabinet decision making and the development of legislation.  Reporting on changes made to Cabinet decision-making structures.  Reporting on legislative achievements.
The Prime Minister and Ministers receive sound advice for decision making.	Focus on key policy areas.  Improve the management of the government.	Reporting on the consultation, coordination and integration mechanisms managed by PCO in support of decision making by the Prime Minister and Cabinet.  Reporting on issues managed by the Prime Minister and Cabinet with PCO support.

<b>Expected Results</b>	<b>Priorities Supported (2005-2006 RPP)</b>	<b>Performance Indicators</b>
Cabinet receives sound advice on the development and implementation of the policy agenda.	Focus on key policy areas.  Conduct medium-term policy planning.	Reporting on the consultation, coordination and integration mechanisms managed by PCO in support of Cabinet policy development.  Reporting on policy achievements.
Fostering the overall development of the Public Service is targeted as a priority.	Improve the management of the government.	Reporting on the consultation, coordination and integration mechanisms managed by PCO for the management of the Public Service.  Reporting on achievements and activities.

### **Results Achieved**

PCO's performance in achieving each intended result is described in the following section.

**Result: Cabinet decision making and the legislative agenda are effectively supported.**

#### *Improve support for Cabinet and Cabinet committee decision making*

PCO's achievements related to providing effective and efficient support to Cabinet and Cabinet decision-making processes are as follows:

- supported the Cabinet committees of both the former and current governments; provided policy advice to the chairs of Cabinet committees and the Prime Minister;
- provided policy advice to the government of the day throughout the transition period and implemented the transition to the new Cabinet committee governance structure;
- performed a challenge function and worked to ensure that a standard of quality was met for the policy proposals put before Cabinet committees; and
- continued to provide Cabinet committees with timely information to support decision making in order to improve the management of the government.

**Result: The Prime Minister and Ministers receive sound advice for decision making.**

PCO's achievements in providing sound advice for decision making regarding key areas of the Government's policy agenda and for effective management of the government are outlined below.

***Transition to a new Government***

PCO facilitated the February 2006 transition to a new Government by providing the Prime Minister with advice on issues pertaining to reorganization, the appointment of Ministers and the establishment of their mandates, the organization of Cabinet and its committees, revision to the Cabinet decision-making process, ministerial accountability and responsibility, and policy issues.

PCO provided advice on the principles of the Westminster style of government and the roles and responsibilities of deputy ministers, as well as advice and support in aid of the preparation and publication of the *Conflict of Interest and Post-Employment Code for Public Office Holders* and *Accountable Government: A Guide for Ministers*. It also supported the Prime Minister and the Government in respect of the Federal Accountability Act, including providing advice on provisions relating to: conflicts of interest; the appointment of agents of Parliament; accounting officers; ministerial exempt staff; whistle-blower elements; elections returning officers; and the Public Appointments Commission.

***Governor-in-Council appointment process***

PCO supported the Governor-in-Council appointment process by providing support and advice to the Prime Minister and Cabinet, departments, agencies and Crown corporations in a number of areas, including establishing selection criteria and facilitating an open search process. PCO facilitated the process for review of key Governor-in-Council appointments, including heads of agencies, boards and commissions, by standing committees of the House of Commons.

PCO also developed and began implementation of improvements to the appointment process for chairs, directors and chief executive officers of Crown corporations to improve transparency and support a more professional and competency-based process.

**Result: Cabinet receives sound advice on the development and implementation of the policy agenda.**

PCO contributes to the development and coordination of the Government policy agenda in different ways. PCO's achievements in these areas are as follows:

***Medium-term policy planning***

Through medium-term policy planning, PCO assists the Prime Minister and Cabinet in defining objectives and priorities of the overall policy agenda. In addition, PCO works to align policy development internally and across departments so that it is consistent with the Government's overall priorities and directions.

PCO's achievements included assisting in the development of key medium-term statements for the Government. It played a key role in helping to advance the Government's fiscal and economic agenda through the presentation of the Economic and Fiscal Update in November 2005. It also supported the transition by providing detailed assessments of the new Government's party platform commitments and preparing advice on policy directions. As well, PCO continued to assist the Clerk of the Privy Council and Secretary to the Cabinet and the deputy ministers in their duties through support to the Coordinating Committee of Deputy Ministers, Deputy Minister Breakfasts and Deputy Minister Retreats. These different committees enhance information exchange among deputy ministers and their departments. The consultative mechanisms at the deputy minister level assist the Cabinet, the Priorities and Planning Committee and other Cabinet committees in effectively managing the Government's agenda.

***Facilitation of the policy agenda***

PCO facilitates the Government's policy agenda in the areas of economic, social and international policy by ensuring that policy proposals being presented by departments and agencies are well prepared, complete and consistent with the Government's policy agenda.

**Economic**

To support the Government's efforts to build a globally competitive and sustainable economy for the 21st century, over the course of 2005-2006, PCO provided significant advice and support to the Government in a number of key economic policy areas including science and technology; workplace skills; sectoral strategies; telecommunications; joint federal-territorial consultations with key stakeholders in the North; and fiscal balance in collaboration with the Department of Finance. As well, PCO was involved in providing policy advice and support on issues related to the environment. This included support to Cabinet committees; policy advice and support on various issues; and support for the implementation of the Oceans Action Plan. PCO also worked

with Infrastructure Canada and other departments on the development of a policy framework for sharing Gas Tax revenues with all provinces and territories.

### Social

Support for social policy was focused on a number of key issues. In the area of health care, PCO assisted in the implementation of the 10-Year Plan to Strengthen Health Care and provided advice on a patient wait times guarantee. PCO also provided support and advice for the development of the Government's approach to child care, aboriginal issues, veterans' affairs, crime-related policy issues, and seniors.

The *Horizontal Results-based Management and Accountability Framework*, tabled in Parliament in October 2005, represents the first government-wide legislative, policy and program-based framework. It focuses on obtaining results and serves as a guide to overall performance measurement and reporting for the Official Languages Program in all federal institutions in terms of governance, management and decision making, as well as evaluation activities and accountability (performance measurement and reporting) exercises.

### International

PCO supported the Prime Minister to facilitate roughly 28 incoming and outgoing visits and summits to advance Canadian interests in major international forums; to foster greater cooperation in North America; and to promote closer relations with key partners. PCO worked with the interdepartmental community in Canada, the United States and Mexico to help establish initial commitments under the Security and Prosperity Partnership of North America (SPP), and also helped facilitate the establishment of the North American Competitiveness Council.

PCO supported the Prime Minister in his ultimate responsibility for the security of Canada and Canadians. It played a lead role in coordinating Canada's integrated security system, promoting effective coordination among members of Canada's security and intelligence community, building and maintaining solid relationships with our allies, and producing comprehensive assessments of the foreign developments and trends that have the potential to affect Canadian interests.

### ***Policy development***

PCO is responsible for policy development in a number of areas. However, subsequent to its reorganization, some of the shared policy areas were reassigned to the departments and agencies with the clear mandate for these activities.

### Implementation of the Smart Regulation Strategy

"Smart Regulation" is designed to position Canada to improve its competitiveness within world markets while better protecting the health and safety of Canadians and the environment. PCO created the Federal, Provincial and Territorial Working Group on Regulatory Reform as a forum for building the foundation for a shared approach to managing regulation between different levels of government; engaged in the development



of a government directive on regulating, in order to strengthen regulatory management through a life-cycle approach; and provided the regulation community with information related to the strategy and regulation through print and electronic media ([www.regulation.gc.ca](http://www.regulation.gc.ca)). As part of PCO's reorganization, the group working on this strategy was transferred to the Treasury Board Secretariat.


#### Democratic Reform

PCO supported the Minister responsible for Democratic Reform in coordinating a wide-ranging diagnostic of Canada's democratic institutions and practices, including working with a number of think-tanks to hold five regional roundtables and commissioning a series of research papers on challenges facing our democratic institutions. PCO prepared the *First Annual Report on Democratic Reform*, detailing the Government's activities in this area, which was released on June 22, 2005. Other activities included input on political financing in the Federal Accountability Act and policy work on the current Government's democratic reform agenda, leading to legislation in the spring of 2006 on fixed dates for elections and Senate tenure.

#### Federal Accountability Act

PCO assigned specialized employees to help the incoming government in the development of legislation surrounding one of its five priorities, the Federal Accountability Act. In particular, policy was developed in the areas of political financing, conflict of interest, federal appointments and the role of accounting officers.

#### ***Research on medium-term policy issues***

PCO supports policy development within the government through research related to medium-term policy issues. Primarily through the Policy Research Initiative, PCO carried out various medium-term and cross-cutting research projects related to policy issues on North American linkages; North American integration; sustainable development and fresh water, population aging and life-course possibilities; poverty reduction and exclusion; and social capital as a public policy tool. A  Data Gaps Initiative was launched to address data gaps in cross-cutting policy areas considered to be important for the federal government. Subsequent to the reorganization at PCO, the Policy Research Initiative was transferred to the Department of Human Resources and Social Development.

**Result: Fostering the overall development of the Public Service is targeted as a priority.**

PCO's major achievements regarding this result are summarized below.

*Clerk of the Privy Council, Secretary to the Cabinet and Head of the Public Service*

The Clerk of the Privy Council serves as the principal link between the Prime Minister and the Public Service of Canada, and is responsible for the quality of expert, professional and non-partisan advice and service provided by the Public Service to the Prime Minister, to Cabinet and to all Canadians.

To help move the Government's agenda forward, the Clerk works closely with the deputy minister community, fostering cohesion through retreats, regular meetings and the establishment and management of key deputy minister committees. As well, the Clerk is responsible for the strategic management of senior public service personnel, notably with respect to succession planning and performance management, through the Committee of Senior Officials (COSO).

As part of his role as Head of the Public Service, the Clerk established corporate priorities for 2005-2006, including: advancing the Management Accountability Framework; implementing the Public Service Modernization Act (PSMA); improving language of work and service to Canadians; advancing diversity within the Public Service; and ensuring that executives and managers develop core financial and human resources management skills. In March 2006, the Clerk set out Public Service renewal as a key priority for Public Service managers.

In addition, the Clerk fulfills his role as Head of the Public Service by acting as the key spokesperson for the Public Service at numerous occasions throughout the year. Examples include biannual speeches to the Assistant Deputy Minister Forum meetings and participation at meetings of the Association of Professional Executives of the Public Service of Canada (APEX). Furthermore, he reports publicly on his role as Head of the Public Service through the *Annual Report to the Prime Minister on the Public Service of Canada*.

## Program Activity: Office of the Prime Minister

### Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual Spending
15,313	16,004	13,801

### Human Resources (full-time equivalents)

Planned Spending	Total Authorities	Actual Spending
117	119	107


### Description

PCO provides financial and administrative support to the Office of the Prime Minister. This funding serves to hire staff and external expertise to provide political advice, information and special services to support the Prime Minister as head of Government and chair of Cabinet. This includes liaison with Ministers; issues management; communications; planning and operations related to the international community; and support for certain political responsibilities, including relations with the Government caucus. This funding also covers the costs of operating the official residences of the Prime Minister. The National Capital Commission is responsible for the costs associated with the structures themselves (to furnish, maintain, heat and keep in repair the official residences).

Expected Results	Priorities Supported (2005-2006 RPP)	Performance Indicators
The Prime Minister's Office receives appropriate financial and administrative support.	Strengthen PCO's internal management practices.	Reporting on the financial and administrative support provided to the Prime Minister's Office, including quantitative information, as appropriate.

### Results Achieved

In February 2006, PCO worked in collaboration with Public Works and Government Services Canada, the House of Commons and the Senate to ensure that all aspects of the transition to a new government related to office and administrative needs were handled in an efficient and professional manner.

 Providing financial and administrative support to the Office of the Prime Minister, funding was used for, among other purposes, hiring staff and external expertise to

provide political advice, information and special services to support the Prime Minister. To be effective, the Prime Minister required support for liaison with other Ministers, issues management, communications, and planning and operations related to the international community. PCO funding also covered the costs of operating the Prime Minister's official residences.

PCO provided the broadcast sound, lighting and recording services to support the delivery of all speeches by the Prime Minister both in Canada and abroad; full office and logistical support when the Prime Minister was travelling, including secure voice and data communications, computers, printers, facsimile and photocopying machines, and portable radio communications; and services for the Prime Minister, such as switchboard, printing, procurement, informatics and human resources. PCO also undertook advance planning trips to prepare for scheduled visits by the Prime Minister in Canada and abroad.

PCO provided the Prime Minister's Office, as well as the Ministers' Offices, with correspondence support that included receiving and responding to telephone calls, e-mail messages and letters. The volume of correspondence continued to increase, reaching over two million items, including over one million e-mails. PCO continued to make optimum use of technology to deal with this ever-growing volume of correspondence, while maintaining established service standards. The table below illustrates the year-over-year increase in correspondence-related activities.

## Summary of Correspondence Activities

<b>Fiscal Year</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2003-2004</b>	<b>2004-2005</b>	<b>2005-2006</b>
<b><u>Correspondence Received*</u></b>					
<b>Prime Minister</b>	<b>1,096,277</b>	<b>1,649,839</b>	<b>1,189,896</b>	<b>1,567,747</b>	<b>2,116,118</b>
Postal Mail	862,015	1,254,621	724,650	739,512	1,064,838
E-mail	218,677	371,165	437,551	807,243	1,028,840
Telephone calls**	15,585	24,053	27,695	20,992	22,440
<b>Minister of Intergovernmental Affairs**</b>	5,297	4,626	14,065	12,243	4,704
<b>Deputy Prime Minister***</b>	3,960	19,476	15,230	68,084	28,951
<b>Total</b>	<b>1,105,534</b>	<b>1,673,941</b>	<b>1,219,191</b>	<b>1,648,074</b>	<b>2,149,773</b>
<b><u>Correspondence Sent*</u></b>					
<b>Prime Minister</b>	<b>98,942</b>	<b>148,592</b>	<b>163,435</b>	<b>104,818</b>	<b>78,617</b>
Postal Mail	72,499	90,871	107,512	37,220	33,558
E-mail	26,443	57,721	55,923	67,598	45,059
<b>Minister of Intergovernmental Affairs**</b>	2,710	2,610	1,940	852	310
<b>Deputy Prime Minister***</b>	999	1,289	3,755	3,204	2,940
<b>Total</b>	<b>102,651</b>	<b>152,491</b>	<b>169,130</b>	<b>108,874</b>	<b>81,867</b>

\* There is a variance between the correspondence received and the correspondence sent because of the nature of the correspondence (e.g. petitions, thank you letters and other messages that do not require a response).

\*\* Also includes mail addressed to the Leader (for 2 of the 12 months) and Deputy Leader of the Government in the House of Commons and to the Minister for Democratic Reform.

\*\*\* Also includes mail addressed to the President of the Queen's Privy Council and to the Leader of the Government in the House of Commons.

## Program Activity: Ministers' Offices

### Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual Spending
14,191	15,888	14,634

### Human Resources (full-time equivalents)

Planned Spending	Total Authorities	Actual Spending
114	115	105

### Description

PCO provides financial and administrative support to Ministers' Offices. This funding serves to hire staff and external expertise so that Ministers' Offices can provide political advice, information and support services to the Leader of the Government in the Senate, the President of the Queen's Privy Council for Canada and the Minister of Intergovernmental Affairs, the Leader of the Government in the House of Commons, and the Deputy Leader of the Government in the House of Commons.

Expected Results	Priorities Supported (2005-2006 RPP)	Performance Indicators
Ministers' Offices receive appropriate financial and administrative support.	Strengthen PCO's internal management practices.	Reporting on the financial and administrative support provided to Ministers' Offices, including quantitative information, as appropriate.

### Results Achieved

PCO provided salaries, motor car allowances and operating budgets to the following four members of Cabinet:

- the Leader of the Government in the Senate;
- the President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs;
- the Leader of the Government in the House of Commons; and
- the Deputy Leader of the Government in the House of Commons, Minister responsible for Official Languages, Minister responsible for Democratic Reform and Associate Minister of National Defence.

This portion of PCO funding is regulated and defined by the Treasury Board. Expenses under the operating budgets are governed by the *Guidelines for Ministers' Offices*. From time to time, the above members of Cabinet are assigned additional responsibilities with corresponding budgets, which then become an integral part of the Ministers' Offices.

PCO provided financial and administrative support for the Ministers' Offices and assisted during the transition of Ministers that occurred as a result of the change of government. Funding was used, among other purposes, for costs related to services such as administration (procurement, printing, mail and messenger services, etc.); information (including executive correspondence management, as described earlier); informatics; and financial and human resources.

Another portion of PCO funding served to pay the salaries and allowances of Ministers of State. The operating budgets for the functioning of the offices of Ministers of State are reported by their respective departments. As of June 28, 2005, and until February 6, 2006, when the new Government was installed, Ministers of State were:

- Infrastructure and Communities;
- Multiculturalism;
- Federal Economic Development Initiative for Northern Ontario;
- Northern Development;
- Public Health;
- Families and Caregivers; and
- Human Resources Development.

## Strategic Outcome 2 – Support to Commissions of Inquiry

*Subjects that need investigation or further study are handled independently from the Government.*

### Program Activity: Commissions of Inquiry, Task Forces and Others

#### Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual Spending
3,662	23,667	16,802

#### Human Resources (full-time equivalents)

Planned Spending	Total Authorities	Actual Spending
5	40	33

#### Description

PCO provides administrative support to commissions of inquiry, task forces and others. Each commission gathers information and reports under specific terms of reference or undertakes independent projects or studies. For 2005-2006, PCO supported the Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar, and funding support was also secured for the ongoing work of the Commission of Inquiry into the Sponsorship Program and Advertising Activities.

Expected Results	Priorities Supported (2005-2006 RPP)	Performance Indicators
Independent bodies receive appropriate administrative support.	Strengthen PCO's internal management practices.	Reporting on the support provided to independent bodies, including narrative reporting, as appropriate.



## **Results Achieved**

It should be noted that this document focuses strictly on PCO's support role for commissions of inquiry, task forces and others. Because these entities are independent, this report does not provide any information relating to their mandate, work priorities or performance. This type of information may be found at the individual commission websites, as indicated below.

Where the Prime Minister has been designated the appropriate Minister, commissions of inquiry, task forces and others receive administrative support from PCO. When such an entity is created, PCO is responsible for initiating arrangements for accommodation, furnishings and equipment to ensure the work of the commission, task force or inquiry proceeds efficiently.

PCO also ensures that administrative advice and support are provided to each commission, task force or inquiry, on an ongoing basis, on matters such as the hiring of staff, acquisition services, contracting, financial services, access to funding, records management, payroll support, posting of transcripts on the Internet, translation, security, and systems support.

Each commission, task force or other inquiry gathers information and reports under specific terms of reference or undertakes independent projects or studies. During 2005-2006, two commissions were active:

### ***Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar***

This Commission is investigating and will report on the actions of Canadian officials concerning Maher Arar, and is mandated to make recommendations on an independent, arm's-length review mechanism for the activities of the Royal Canadian Mounted Police with respect to national security. Although the terms of reference do not direct the Commissioner to report to the Governor-in-Council by a specific date, the Commission released its first report on September 18, 2006 and plans to submit its final report by December 2006. PCO has effectively supported the administrative aspects of the Commission. For additional information, please refer to the Commission's website, [www.Ararcommission.ca](http://www.Ararcommission.ca)

### ***Commission of Inquiry into the Sponsorship Program and Advertising Activities***

This Commission investigated and reported on questions raised, directly or indirectly, in the November 2003 *Report of the Auditor General of Canada* regarding the sponsorship program and advertising activities of the Government of Canada, and made recommendations to prevent mismanagement of federal sponsorship or advertising activities in the future. The Commission submitted two reports to the Governor-in-Council. The first one was released on November 1, 2005, and the final one on February 1, 2006.

PCO effectively provided neutral checks and balances on transactions subject to the Financial Administration Act and Treasury Board's legislative and regulatory requirements. A summary report prepared in March 2006 by the Executive Director and Commission Secretary states that PCO provided support that was invaluable to the Commission's administrative operations. For additional information, please refer to the Commission's website, archived at <http://epe.lac-bac.gc.ca/100/206/301/pco-bcp/commissions/sponsorship-ef/index.html>

# Supporting Both Strategic Outcomes

## Strengthen Internal Management Practices

One of PCO's priorities for last year was to strengthen internal management practices. Progress made in this area contributed to the attainment of results for both of PCO's strategic outcomes. Strengthening internal management practices so that organizations have the required internal capabilities to deliver on their strategic objectives is a priority for all government departments, including PCO. To this end, a Corporate Planning function was put in place and was charged with a number of planning and reporting activities, including the development of a process calendar for corporate planning, reporting and decision making. PCO conducted an internal client service survey across the organization. The survey revealed a high level of satisfaction with many of the services provided by the Corporate Services Branch. Over the next year, attention will be focused on improving performance in the areas of human resources and electronic document management.

## *Implement the Public Service Modernization Act*

PCO created a Labour-Management Consultation Committee that participated in consultations on the implementation of the PSMA. This Committee was successful in ensuring that input from employee representatives could be gathered. In addition, a Human Resources Advisory Committee, composed of Assistant Secretaries to the Cabinet and Human Resources (HR) representatives, was established to make decisions and address issues related to the implementation of the PSMA in PCO. This Committee was very successful in enabling PCO to meet its commitments in relation to the implementation of the PSMA and will continue to operate with a mandate to address HR modernization and HR management issues.

PCO offered mandatory training and other activities that were deemed necessary for the successful implementation of the PSMA in PCO, such as the development of a PCO guide to informal discussion under the Public Service Employment Act; delivered training on the delegation of staffing authorities to senior management; and provided information to employees through the intranet and general information sessions. Information sessions for managers were developed and delivered, and will continue in the future.

PCO is using the flexibilities of the new PSMA to conduct a generic selection process to establish pools of qualified candidates for administrative officer positions. These selection processes increase the speed of staffing in PCO. Work is also being undertaken to develop a human resources plan identifying PCO human resources management priorities and actions to address them.

### ***Strengthen information, records and library management capabilities***

In late 2004-2005, PCO conducted a review of its approach to the implementation of the Records, Documents and Information Management System, the Government of Canada's standard software suite for the management of electronic information. The purpose of the review was to determine which aspects of the implementation needed to be rethought and improved so that the remaining work would be successful over the long term and resources would be used more efficiently. As a result of the review, improvements to the implementation approach were made in 2005-2006. Making these improvements took time away from the continued implementation, so that while four additional secretariats received the system in 2005-2006, eight work groups remain to be implemented.

PCO provided weekly training sessions on information management and Access to Information and Privacy Acts for all new employees and managers. Both the content and delivery of the sessions were streamlined and updated.

### ***Pursue shared services for administrative support with other central agencies***

The partnering departments (Department of Finance, Treasury Board Secretariat, PCO, PSHRMAC and the Canada School of Public Service) prepared a business case presenting preliminary information for establishing a single common services organization for the delivery of selected corporate functions in the areas of finance, human resources, information management/information technology (IM/IT), administrative services, and internal audit and evaluation. Although this central agency project was broad in scope, a measured, phased-in approach to implement the business case was used.

During fiscal year 2005-2006, PCO, in collaboration with the four other agencies, implemented a common secure IT infrastructure, a common desktop configuration, a common integrated financial system and a common reporting tool. In 2006-2007, a common human resources management system will be implemented. A needs analysis for audit and evaluation services in each organization was completed, and delivery model options for a shared audit and evaluation function were documented and discussed. The partners continue to work toward implementation of a shared services delivery model for 2006-2007. Implementation of other common corporate services will be reviewed at a later date by the partnering departments.

## **Section III**

# **Supplementary Information**



# Organizational Information

The Privy Council Office reports directly to the Prime Minister and is headed by the Clerk of the Privy Council and Secretary to the Cabinet.

The Prime Minister's overall responsibility is to provide leadership to create and sustain the unity of the Ministry required to maintain the confidence of Parliament. The Prime Minister demonstrates this leadership in two distinct ways:

- through the exercise of unique authorities as head of Government; and
- through the management and coordination of the Government's agenda, as chair of Cabinet.

The core functions of the Clerk of the Privy Council and Secretary to the Cabinet and those of the entire PCO flow directly from these responsibilities. The strength of PCO is in large measure determined by its ability to concentrate its resources on supporting exclusively these two central responsibilities, in addition to helping the Clerk of the Privy Council and Secretary to the Cabinet fulfill his role as Head of the Public Service.

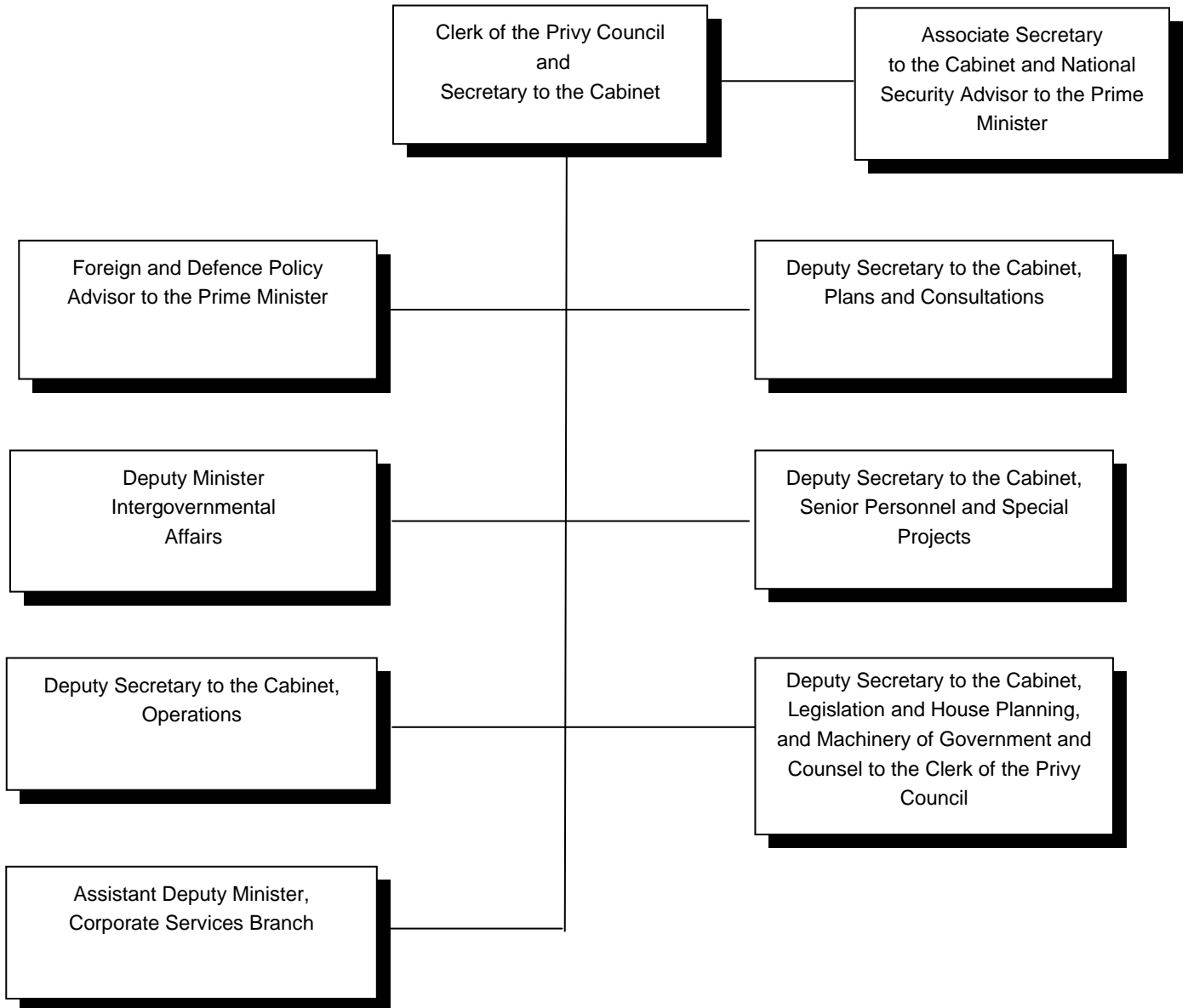
Although this report focuses on activities that occurred during 2005-2006, plans made during the last few months of that fiscal year resulted in the reorganization and downsizing of PCO in the final part of 2005-2006 and the early part of 2006-2007. This reorganization was aimed at placing a stronger emphasis on the traditional responsibilities of PCO of providing context, coherence, coordination and challenge to policy development and also ensuring greater clarity for the respective roles of PCO and relevant departments and agencies. This has resulted in a smaller organization that more effectively supports the Prime Minister and Ministers in his portfolio.

The changes included reassigning secretariats and teams that previously existed in PCO to advance work on Aboriginal affairs, Smart Borders, Official Languages, Smart Regulation, policy research, science, regulatory affairs, regional communications and diversity to those departments and agencies with clear mandates in these areas. The number of PCO secretariats was reduced and efforts were refocused on core functions, thereby reducing PCO's overall financial and human resource requirements. In addition, the Democratic Renewal Secretariat was merged into the Legislation and House Planning Secretariat.

## Planned Reduction in Resources Resulting from Focus on Core Functions

	<b>Actual 2005-2006</b>	<b>Planned 2006-2007</b>	<b>Planned 2007-2008</b>
Financial Resources (thousands of dollars)	162,318	129,296	111,201
Human Resources (full-time equivalents)	1,032	916	902

The PCO organization chart is shown below. Further information on the roles and functions of PCO are available on the PCO website at [www.pco-bcp.gc.ca](http://www.pco-bcp.gc.ca).





# Tables

PCO's departmental performance and resource utilization tables are presented using its strategic outcomes and new Program Activity Architecture (PAA) developed in 2004-2005 to respond to the government-wide initiative led by the Treasury Board Secretariat.

In 2004-2005, the following financial tables were applicable to PCO's operations:

Table 2	Voted and Statutory Items
Table 3	Comparison of Planned to Actual Spending
Table 4	Net Cost of Department
Table 5	Use of Resources by Activity
Table 6	Resource Requirements by Branch
Table 7	Sources of Respendable and Non-respendable Revenue
Table 8	User Fees

**Table 2 – Voted and Statutory Items**

(thousands of dollars)

Vote	2005-2006				
	Total Main Estimates	Total Planned Spending	Total Authorities	Total Actual Spending	
<b>Privy Council Office</b>					
1	Program expenditures	125,413	133,112	159,642	<b>147,404</b>
(S)	The Prime Minister's salary and motor car allowance	143	143	158	<b>158</b>
(S)	President of the Privy Council – Salary and motor car allowance	70	70	60	<b>60</b>
(S)	Leader of the Government in the Senate – Salary and motor car allowance	70	70	71	<b>71</b>
(S)	Ministers without Portfolio or Ministers of State – Motor car allowance	28	28	14	<b>14</b>
(S)	Contributions to employee benefit plans	15,564	15,564	14,592	<b>14,592</b>
(S)	Spending of proceeds from the disposal of surplus Crown assets	0	0	39	<b>19</b>
<b>Total Department</b>		<b>141,288</b>	<b>148,987</b>	<b>174,576</b>	<b>162,318</b>

**Explanation of Variance between Total Main Estimates and Total Authorities:**

The increase of \$33.3 million is explained as follows:

- Establishment of a 2005-2006 budget for:
  - the Commission of Inquiry into the Sponsorship Program and Advertising Activities (\$17.0 million);
  - the Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar (\$9.7 million); and
  - the reform and modernization of Canada's regulatory system (\$2.3 million);
- Resources related to the Department's 2004-2005 operating budget carry-forward (\$3.6 million);
- Provision of ongoing support to Public Security and Anti-Terrorism initiatives to sustain the level of activity to address security challenges resulting from the events of September 11, 2001 (\$1.9 million); and
- Resources related to compensation for collective bargaining (\$1.1 million).

Offset by:

- Expenditure Review reductions (\$2.3 million).

**Explanation of Variance between Total Planned Spending and Total Authorities:**

The increase of \$25.6 million is explained as follows:

- Additional funding related to the Commission of Inquiry into the Sponsorship Program and Advertising Activities (\$14.4 million);
- Additional funding related to the Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar (\$5.3 million);
- Resources related to the Department's 2004-2005 operating budget carry-forward (\$3.6 million); and
- Establishment of a 2005-2006 budget for the reform and modernization of Canada's regulatory system (\$2.3 million).

**Explanation of Variance between Total Authorities and Total Actual Spending:**

The decrease of \$12.2 million is explained in Table 3.

**Table 3 – Comparison of Planned to Actual Spending (including FTEs)**

(thousands of dollars)

Activities	Actual Spending 2003-2004	Actual Spending 2004-2005	2005-2006			
			Main Estimates	Planned Spending	Total Authorities	Actual Spending
Office of the Prime Minister	14,004	17,262	15,381	15,313	16,004	<b>13,801</b>
Ministers' Offices	11,573	13,130	12,428	14,191	15,888	<b>14,634</b>
Secretariats and Advisors	106,225	105,798	109,484	115,821	119,017	<b>117,081</b>
Commissions of Inquiry, Task Forces and Others <sup>1</sup>	6,415	28,344	3,995	3,662	23,667	<b>16,802</b>
<b>Total Planned Spending</b>	<b>138,217</b>	<b>164,534</b>	<b>141,288</b>	<b>148,987</b>	<b>174,576</b>	<b>162,318</b>
Less: Non-Respendable revenue	-532	-923	-220	-220	-220	-1,256
Plus: Cost of services received without charge	12,552	19,925	20,374	20,374	20,374	22,427
<b>Net Cost of Department</b>	<b>150,237</b>	<b>183,536</b>	<b>161,442</b>	<b>169,141</b>	<b>194,730</b>	<b>183,489</b>
<b>Full-Time Equivalents</b>	<b>938</b>	<b>1,026</b>	<b>1,106</b>	<b>1,117</b>	<b>1,173</b>	<b>1,032</b>

<sup>1</sup> The Policy Research Initiative was included under the Commissions, Task Forces and Others activity in the 2005-2006 Report on Plans and Priorities, it is now included under Secretariats and Advisors.

### Explanation of Variance between Planned Spending and Actual Spending:

The variance from planned spending in the Prime Minister's Office is due to the transition of government during 2005-2006 offset by a reduction in Corporate Services as a result of the federal election.

The variance from planned spending in Secretariat and Advisors reflects additional resources related to the reform and modernization of Canada's regulatory system (\$2.3 million) offset by a slowdown in activities due to the federal election (\$1.1 million).

The planned spending included \$3.7 million for the Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar. Actual spending totalled \$16.8 million. The increase is due to:

- Commission of Inquiry into the Sponsorship Program and Advertising Activities (\$10.2 million); and
- Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar (\$2.9 million).

### Explanation of Variance between Total Authorities and Actual Spending:

The variance from total authorities in the Office of the Prime Minister is due to the transition of Governments during 2005-2006 (\$0.3 million) and reduced spending in Corporate Services as a result of the federal election (\$1.9 million).

The variance from total authorities in the Ministers' Offices is due to the transition of governments during 2005-2006 and to the elimination of the Deputy Leader of the Government in the House of Commons (\$2.4 million) and an increase in Corporate Services spending (\$1.1 million) allocated to this program activity.

The variance from total authorities in Secretariat and Advisors is due to a slowdown in activities due to the federal election (\$7.8 million) and a lower than planned utilization of Public Security and Anti-Terrorism (PSAT) funds mainly due to contract delays and unforeseen delays in project work (\$2.6 million) offset by an increase in Corporate Services spending (\$8.5 million) allocated to this program activity.

The variance from total authorities in Commission of Inquiry, Task Forces and Others is due to lapses in:

- The Commission of Inquiry into the Sponsorship Program and Advertising Activities (\$4.3 million) due to a reduction in the size of public consultations and savings in contract costs; and
- The Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar (\$2.5 million) due to the final report being postponed until 2006-2007.

**Table 4 – Net Cost of Department**

	(thousands of dollars)
	<b>2005-2006</b>
<b>Total Actual Spending</b>	<b>162,318</b>
<i>Plus: Services Received without Charge</i>	
Accommodation provided by Public Works and Government Services Canada (PWGSC)	13,164
Contributions covering employer's share of employees' insurance premiums and expenditures paid by Treasury Board Secretariat	6,243
Workers compensation coverage provided by Social Development Canada	10
Salary and associated expenditures of legal services provided by Justice Canada	3,010
	<u>22,427</u>
<i>Less: Non-respendable Revenue</i>	-1,256
<b>2005-2006 Net Cost of Department</b>	<b>183,489</b>

**Table 5 – Use of Resources by Activity**

(thousands of dollars)

Activities	Operating	Grants & Contributions	Total Gross Expenditures	Total Net Expenditures
<b>Office of the Prime Minister</b>				
Main Estimates	15,381	0	15,381	15,381
<i>Planned Spending</i>	<i>15,313</i>	<i>0</i>	<i>15,313</i>	<i>15,313</i>
Total Authorities	16,004	0	16,004	16,004
<i>Actual Spending</i>	<i>13,801</i>	<i>0</i>	<i>13,801</i>	<i>13,801</i>
<b>Ministers' Offices</b>				
Main Estimates	12,428	0	12,428	12,428
<i>Planned Spending</i>	<i>14,191</i>	<i>0</i>	<i>14,191</i>	<i>14,191</i>
Total Authorities	15,888	0	15,888	15,888
<i>Actual Spending</i>	<i>14,634</i>	<i>0</i>	<i>14,634</i>	<i>14,634</i>
<b>Secretariats and Advisors</b>				
Main Estimates	109,484	0	109,484	109,484
<i>Planned Spending</i>	<i>115,821</i>	<i>0</i>	<i>115,821</i>	<i>115,821</i>
Total Authorities	119,017	0	119,017	119,017
<i>Actual Spending</i>	<i>117,081</i>	<i>0</i>	<i>117,081</i>	<i>117,081</i>
<b>Commissions of Inquiry, Task Forces and Others <sup>1</sup></b>				
Main Estimates	3,995	0	3,995	3,995
<i>Planned Spending</i>	<i>3,662</i>	<i>0</i>	<i>3,662</i>	<i>3,662</i>
Total Authorities	23,667	0	23,667	23,667
<i>Actual Spending</i>	<i>16,802</i>	<i>0</i>	<i>16,802</i>	<i>16,802</i>
<b>Total (Main Estimates)</b>				
Main Estimates	141,288	0	141,288	141,288
<i>Planned Spending</i>	<i>148,987</i>	<i>0</i>	<i>148,987</i>	<i>148,987</i>
Total Authorities	174,576	0	174,576	174,576
<i>Actual Spending</i>	<i>162,318</i>	<i>0</i>	<i>162,318</i>	<i>162,318</i>
<b><u>Other Revenues and Expenditures</u></b>				
<b>Non-respensible Revenues</b>				
Main Estimates				-220
<i>Planned Spending</i>				-220
Total Authorities				-220
<i>Actual Spending</i> <sup>2</sup>				<i>-1,256</i>
<b>Cost of Services Provided by Other Departments</b>				
Main Estimates				20,374
<i>Planned Spending</i>				20,374
Total Authorities				20,374
<i>Actual Spending</i>				<i>22,427</i>
<b>Net Cost of the Program (Planned Spending)</b>				
Main Estimates				161,442
<i>Planned Spending</i>				<i>169,141</i>
Total Authorities				194,730
<i>Actual Spending</i>				<i>183,489</i>

<sup>1</sup> The Policy Research Initiative was included under the Commissions, Task Forces and Others activity in the 2005-2006 Report on Plans and Priorities, it is now included under Secretariats and Advisors.

<sup>2</sup> This amount is mainly composed of reversals of accrued expenses for prior years which must be presented as revenues and which by their nature are difficult to forecast.

**Table 6 – Resource Requirements by Branch**

(thousands of dollars)

2005-2006					
	Office of the Prime Minister	Ministers' Offices	Secretariats and Advisors	Commissions, Task Forces and Others	Total
<b>Office of the Prime Minister</b>					
Planned Spending	15,313	0	0	0	15,313
Actual Spending	13,801	0	0	0	13,801
<b>Ministers' Offices</b>					
<b>President of the Queen's Privy Council</b>					
Planned Spending	0	3,396	0	0	3,396
Actual Spending	0	3,340	0	0	3,340
<b>Leader of the Government in the Senate</b>					
Planned Spending	0	3,709	0	0	3,709
Actual Spending	0	3,553	0	0	3,553
<b>Leader of the Government in the House of Commons</b>					
Planned Spending	0	4,281	0	0	4,281
Actual Spending	0	4,063	0	0	4,063
<b>Ministers of State</b>					
Planned Spending	0	1,305	0	0	1,305
Actual Spending	0	1,119	0	0	1,119
<b>Deputy Leader of the Government in the House of Commons</b>					
Planned Spending	0	1,500	0	0	1,500
Actual Spending	0	2,559	0	0	2,559
<b>Secretariats and Advisors</b>					
<b>Clerk and Secretary of the Privy Council</b>					
Planned Spending	0	0	3,465	0	3,465
Actual Spending	0	0	5,138	0	5,138
<b>Counsel to the Clerk of the Privy Council</b>					
Planned Spending	0	0	4,711	0	4,711
Actual Spending	0	0	3,708	0	3,708
<b>National Security Advisor</b>					
Planned Spending	0	0	19,984	0	19,984
Actual Spending	0	0	18,909	0	18,909
<b>National Science Advisor</b>					
Planned Spending	0	0	2,045	0	2,045
Actual Spending	0	0	2,680	0	2,680
<b>Intergovernmental Affairs</b>					
Planned Spending	0	0	21,578	0	21,578
Actual Spending	0	0	20,323	0	20,323



**Table 6 (Cont'd) – Resource Requirements by Branch**

(thousands of dollars)

2005-2006						
	Office of the Prime Minister	Ministers' Offices	Secretariats and Advisors	Commissions, Task Forces and Others	Total	
<b>Operations</b>						
Planned Spending	0	0	15,703	0	15,703	
Actual Spending	0	0	21,384	0	21,384	
<b>Plans and Consultations</b>						
Planned Spending	0	0	24,926	0	24,926	
Actual Spending	0	0	21,496	0	21,496	
<b>Machinery of Government</b>						
Planned Spending	0	0	8,126	0	8,126	
Actual Spending	0	0	8,104	0	8,104	
<b>Senior Personnel and Special Projects</b>						
Planned Spending	0	0	4,948	0	4,948	
Actual Spending	0	0	4,928	0	4,928	
<b>Global Affairs and Canada-U.S. Secretariats</b>						
Planned Spending	0	0	5,411	0	5,411	
Actual Spending	0	0	5,650	0	5,650	
<b>Policy Research Initiative <sup>1</sup></b>						
Planned Spending	0	0	4,924	0	4,924	
Actual Spending	0	0	4,761	0	4,761	
<b>Commissions, Task Forces and Others</b>						
<b>Commission of Inquiry into the Sponsorship Program and Advertising Activities</b>						
Planned Spending	0	0	0	0	0	
Actual Spending	0	0	0	10,220	10,220	
<b>Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar</b>						
Planned Spending	0	0	0	3,662	3,662	
Actual Spending	0	0	0	6,582	6,582	
<b>TOTAL</b>						
Planned Spending	15,313	14,191	115,821	3,662	148,987	
Actual Spending	13,801	14,634	117,081	16,802	162,318	

<sup>1</sup> The Policy Research Initiative was included under the Commissions, Task Forces and Others activity in the 2005-2006 Report on Plans and Priorities it is now included under Secretariats and Advisors.

**Table 7 – Sources of Respendable and Non-respendable Revenue**

(thousands of dollars)

	Actual 2003-2004	Actual 2004-2005	2005-2006		
			Planned Revenue	Total Authorities	Actual
<b>Respendable Revenue</b>					
Office of the Prime Minister	-	-	-	-	-
Ministers' Offices	-	-	-	-	-
Secretariats and Advisors	-	-	-	-	-
Commissions of Inquiry, Task Forces and Others	-	-	-	-	-
<b>Total Respendable Revenue</b>	-	-	-	-	-
<b>Non-respendable Revenue</b>					
Tax Revenues	-	-	-	-	-
Non-Tax Revenues	532.0	922.6	220.0	1,256.4	1,256.4
<b>Total Non-respendable Revenue</b>	<b>532.0</b>	<b>922.6</b>	<b>220.0</b>	<b>1,256.4</b>	<b>1,256.4</b>
<b>Total Revenue</b>	<b>532.0</b>	<b>922.6</b>	<b>220.0</b>	<b>1,256.4</b>	<b>1,256.4</b>

**Table 7 (cont'd) – Sources of Responsible and Non-Responsible Revenue**

(thousands of dollars)

Non-responsible Revenue	Actual 2003-2004	Actual 2004-2005	2005-2006		Actual
			Planned Revenue	Total Authorities	
<b>Office of the Prime Minister</b>					
Refunds of previous year's expenditures	-	19.5	-	17.5	17.5
Adjustments to prior year's payables	-	-	-	58.4	58.4
Proceeds from sales	12.1	0.7	6.0	1.2	1.2
	12.1	20.2	6.0	77.1	77.1
<b>Ministers' Offices</b>					
Refunds of previous year's expenditures	-	-	-	14.4	14.4
Adjustments to prior year's payables	-	-	-	64.3	64.3
	-	-	-	78.7	78.7
<b>Secretariat and Advisors</b>					
Refunds of previous year's expenditures	340.5	166.6	120.0	106.7	106.7
Adjustments to prior year's payables	131.5	590.8	60.0	526.1	526.1
Proceeds from the disposal of surplus Crown assets	36.0	17.8	30.0	21.6	21.6
Sale of statutory instruments pursuant to the Statutory Instruments Act	1.0	0.9	1.0	1.2	1.2
Proceeds from sales	4.0	7.3	-	5.2	5.2
Revenues pursuant to the Access to Information Act and Privacy Act	3.3	2.2	2.0	2.2	2.2
Policy Research Initiative (PRI) conference		116.2	-	3.5	3.5
Sundries	3.6	0.6	1.0	1.3	1.3
	519.9	902.4	214.0	667.8	667.8
<b>Commissions of Inquiry, Task Forces and Others</b>					
Refunds of previous year's expenditures	-	-	-	3.0	3.0
Adjustments to prior year's payables	-	-	-	429.8	429.8
	0.0	0.0	0.0	432.8	432.8
<b>Total Non-responsible Revenue</b>	<b>532.0</b>	<b>922.6</b>	<b>220.0</b>	<b>1,256.4</b>	<b>1,256.4</b>

## Table 8 – User Fees

A. User Fee	Fee Type	Fee Setting Authorities	Date Last Modified	2005-2006					Planning Years		
				Forecast Revenue (\$000)	Actual Revenue (\$000)	Full Cost (\$000)	Performance Standard	Performance Results	Fiscal Year	Forecast Revenue (\$000)	Estimated Full Cost (\$000)
Fees charged for inspection and obtaining of copies of Statutory instruments in accordance with the Statutory Instruments Act	O	Statutory Instruments Regulatory		1.0	1.3	7.7	Note 1	Note 2	2006-2007	1.0	7.7
						Note 6			2007-2008	1.0	7.7
									2008-2009	1.0	7.7
										Note 6	
Fees charged for the processing of access requests filed under the Access to Information Act	O	Access to Information Act	1992	3.0	2.2	2,866.0	Note 3	Note 4	2006-2007	2.4	3,550.7
						Note 5			2007-2008	2.6	3,578.2
									2008-2009	2.8	3,608.3
										Note 5	
Total (O):				4.0	3.5	2,873.7			2006-2007	3.4	3,558.4
									2007-2008	3.6	3,585.9
									2008-2009	3.8	3,616.0

Note 1: 90% of requests will be completed within 5 business days. This standard becomes effective as of September 2006.

Note 2: Standards for 2005-2006 did not exist, therefore performance could not be measured.

Note 3: Response provided within 30 days following receipt of request; the response time may be extended pursuant to section 9 of the ATIA . Notice of extension to be sent within 30 days after receipt of request.

The *Access to Information Act* provides fuller details: <http://laws.justice.gc.ca/en/A-1/218072.html>

Note 4: 58% of requests were completed on time.

Note 5: Full cost for the processing of access to information requests filed under the Access to Information Act includes direct cost to operate the Access to Information and Privacy division including Employee Benefit Plan. It also includes indirect cost related to the initial 5 hours search, 5 hours for review and approval of each request, an allocation of services received without charge from other departments and Corporate Services to support the division.

Note 6: Full cost for the sale of Statutory instruments includes direct cost to operate the section (0.07 FTE) including Employee Benefit Plan. It also includes indirect cost related to an allocation of services received without charge from other departments and Corporate Services to support the division.

## **Section IV**

### **Other Items of Interest**



**Financial Statements  
for the Year Ended March 31, 2006**

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## Privy Council Office Financial Statements (Unaudited)

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### Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2006, and all information contained in these statements rests with departmental management. These statements have been prepared by management in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the department's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable; that assets are safeguarded; and that transactions are in accordance with the Financial Administration Act, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. 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, standards and managerial authorities are understood throughout the department.

The financial statements of the department have not been audited.

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Kevin G. Lynch  
Clerk of the Privy Council and  
Secretary to the Cabinet

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Patrick Borbey  
Assistant Deputy Minister  
Corporate Services

Ottawa, Ontario  
August 10, 2006



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**Privy Council Office  
Statement of Operation  
(Unaudited)**

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for the year ended March 31, 2006 (in thousands of dollars)

	<b>2006</b>	<b>2005 (Restated)</b>
<b>EXPENSES (note 4, 14)</b>		
Office of the Prime Minister	16,179	14,640
Offices of the Portfolio Ministers	17,244	15,603
Secretariats and Advisors	138,653	128,937
Commissions of Inquiry	16,297	25,474
<b>Total expenses</b>	188,373	184,654
<b>REVENUES (note 5)</b>		
Office of the Prime Minister	4	3
Offices of the Portfolio Ministers	3	2
Secretariats and Advisors	30	142
Commissions of Inquiry	-	89
<b>Total revenues</b>	37	236
<b>Net Cost of Operations</b>	188,336	184,418

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

**Privy Council Office  
Statement of Financial Position  
(Unaudited)**

at March 31, 2006 (in thousands of dollars)

	2006	2005 (Restated)
<b>ASSETS</b>		
<b>Financial assets</b>		
Accounts receivable and advances (note 6)	1,917	3,415
<b>Total financial assets</b>	1,917	3,415
<b>Non-financial assets</b>		
Prepaid expenses	209	772
Tangible capital assets (note 7)	9,727	10,665
<b>Total non-financial assets</b>	9,936	11,437
<b>TOTAL</b>	11,853	14,852
<b>LIABILITIES</b>		
Accounts payable and other liabilities (note 8)	19,540	25,012
Vacation pay and compensatory leave	5,328	5,181
Employee severance benefits (note 9)	12,895	11,111
<b>Total liabilities</b>	37,763	41,304
<b>Equity of Canada</b>	(25,910)	(26,452)
<b>TOTAL</b>	11,853	14,852

Contingent liabilities (note 10)

Contractual obligations (note 11)

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

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**Privy Council Office  
Statement of Equity of Canada  
(Unaudited)**

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for the year ended March 31, 2006 (in thousands of dollars)

	<b>2006</b>	<b>2005 (Restated)</b>
<b>Equity of Canada, beginning of year</b>	(26,452)	(9,059)
Restatement for severance benefits of previous years (note 13)	-	(10,330)
	(26,452)	(19,389)
Net cost of operations	(188,336)	(184,418)
Refund and adjustment of previous year expenditures	(1,297)	(190)
Revenue not available for spending	41	(732)
Adjustments for services provided without charge by other government departments (note 12)	22,427	19,925
	(167,165)	(165,415)
Current year appropriations used (note 3)	162,317	164,533
Change in net position in the Consolidated Revenue Fund (note 3)	5,390	(6,181)
<b>Equity of Canada, end of year</b>	(25,910)	(26,452)

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

**Privy Council Office  
Statement of Cash Flow  
(Unaudited)**

for the year ended March 31, 2006 (in thousands of dollars)

	2006	2005 (Restated)
<b>OPERATING ACTIVITIES</b>		
Net cost of operations	188,336	184,418
Non-cash items:		
Amortization of tangible capital assets (note 7)	(3,032)	(2,565)
(Loss) Gain on disposal of tangible capital assets	(16)	35
Services provided without charge by other government departments (note 12)	(22,427)	(19,925)
	<u>(25,475)</u>	<u>(22,455)</u>
Variation in Statement of Financial Position:		
Increase (Decrease) in accounts receivable and advances	(1,498)	1,760
Increase (Decrease) in prepaid expenses	(563)	140
(Increase) Decrease in liabilities:		
Accounts payable and accrued liabilities	5,472	(8,653)
Vacation pay and compensatory leave	(147)	(295)
Employee severance benefits	(1,784)	(781)
	<u>1,480</u>	<u>(7,829)</u>
Cash used by operating activities	<u>164,341</u>	<u>154,134</u>
<b>CAPITAL INVESTMENT ACTIVITIES</b>		
Acquisition of tangible capital assets	2,110	3,601
Proceeds from disposal of tangible capital assets	-	(18)
Net cost of tangible capital asset transfers	-	(287)
Cash used by capital investment activities	<u>2,110</u>	<u>3,296</u>
<b>FINANCING ACTIVITIES</b>		
Net cash provided by Government of Canada	<u>166,451</u>	<u>157,430</u>

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

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# Privy Council Office Notes to Financial Statements (Unaudited)

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for the year ended March 31, 2006

## 1. *Authority and Objectives*

The Privy Council Office (PCO) is a division of the Public Service of Canada as set out in column 1 of Schedule I.1 of the Financial Administration Act and reports to Parliament through the Prime Minister.

The Privy Council Office reports directly to the Prime Minister and is headed by the Clerk of the Privy Council and Secretary to the Cabinet. The Clerk is also the Head of the Public Service. The mandate of PCO is to serve Canada and Canadians by providing the best non-partisan advice and support to the Prime Minister, Ministers within the Prime Minister's portfolio and Cabinet. PCO's work requires close and continuous contact with other federal departments and agencies to support their ability to work effectively and to ensure overall consultation and coordination.

Commissions of inquiry established under the Inquiries Act are designated as departments under the Financial Administration Act, and the Prime Minister is designated as the "appropriate Minister" under that same Act. PCO provides administrative and financial management support to commissions.

## 2. *Summary of Significant Accounting Policies*

The financial statements have been prepared in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector. Significant accounting policies are as follows:

- a) **Parliamentary appropriations:** The department is financed by the Government of Canada through parliamentary appropriations. Appropriations provided to the department do not parallel financial reporting according to Canadian generally accepted accounting principles, since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.
- b) **Consolidation:** These financial statements include the accounts of the following sub-entities of the Privy Council Office: Office of the Prime Minister, Offices of the Portfolio Ministers, Secretariats and Advisors and Commissions of Inquiry. Offices of the Portfolio Ministers include the President of the Queen's Privy Council for Canada, the Leader of the Government in the House of Commons and the Leader of the Government in the Senate. Additional responsibilities may be assigned to these Ministers. Commissions of inquiry include the Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar and the Commission of Inquiry into the Sponsorship Program and Advertising Activities.

The accounts of these sub-entities have been consolidated with those of the Privy Council Office and all inter-organizational balances and transactions have been eliminated.

- c) **Net cash provided by Government:** The Privy Council Office operates within the Consolidated Revenue Fund (CRF). The CRF is administered by the Receiver General for Canada. All cash received by the Privy Council Office is deposited to the CRF, and all cash disbursements made by the department are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the federal government.

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## Privy Council Office Notes to Financial Statements (Unaudited)

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for the year ended March 31, 2006

- d) **Change in net position in the Consolidated Revenue Fund** is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non-responsible revenue recorded by the Privy Council Office. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.
- e) **Revenues:**
- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
  - Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
- f) **Expenses:** Expenses are recorded on the accrual basis:
- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
  - Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
  - Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.
- g) **Employee future benefits:**
- Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require PCO to make contributions for any actuarial deficiencies of the Plan.
- Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. 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.
- h) **Accounts receivables and advances:** These are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.
- i) **Contingent liabilities:** Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

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## Privy Council Office Notes to Financial Statements (Unaudited)

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for the year ended March 31, 2006

- j) **Tangible capital assets:** All tangible capital assets having an initial cost of \$5,000 or more are recorded at their acquisition cost. The capitalization of software has been done on a prospective basis from April 1, 2001. The Privy Council Office does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value. Work in progress is only amortized when the related projects are completed, and their amortization is based on the estimated useful life of the asset. Amortization of capital assets is done on a straight-line basis over the estimated useful life of the capital asset as follows:

Machinery and Equipment	5 to 15 years
Informatics Hardware	3 to 5 years
Informatics Software	3 to 5 years
Motor Vehicles	3 to 10 years
Other Equipment	10 to 15 years

- k) **Measurement uncertainty:** The preparation of these financial statements in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector, 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 these 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.
- l) **Foreign currency transactions:** Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect on March 31.

### 3. *Parliamentary Appropriations*

The Privy Council Office receives most of its funding through annual parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through parliamentary appropriations in prior, current or future years. Accordingly, the department 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:

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**Privy Council Office  
Notes to Financial Statements  
(Unaudited)**

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for the year ended March 31, 2006

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

	<b>2006</b>	<b>2005</b>
	<b>(Restated)</b>	
	(in thousands of dollars)	
<b>Net cost of operations</b>	188,336	184,418
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Amortization of tangible capital assets	(3,032)	(2,565)
(Loss) Gain on disposal of tangible assets	(16)	35
Services provided without charge by other government departments	(22,427)	(19,925)
Prepaid expenses	(563)	140
Vacation pay and compensatory leave	(147)	(295)
Employee severance benefits	(1,784)	(781)
Accounts payable and accrued liabilities	(365)	-
Refund and adjustment of previous year expenditures	1,297	190
Revenue not available for spending	(41)	732
Other adjustments	(1,051)	(712)
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add:		
Acquisitions of tangible capital assets	2,110	3,296
<b>Current year appropriations used</b>	<b><u>162,317</u></b>	<b><u>164,533</u></b>

**b) Appropriations provided and used:**

	<b>2006</b>	<b>2005</b>
	(in thousands of dollars)	
Vote – Operating expenditures	159,981	164,900
Statutory amounts	14,592	13,636
Less:		
Appropriations available for future years	(20)	(18)
Lapsed appropriations: Operating	(12,236)	(13,985)
<b>Current year appropriations used</b>	<b><u>162,317</u></b>	<b><u>164,533</u></b>



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**Privy Council Office  
Notes to Financial Statements  
(Unaudited)**

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for the year ended March 31, 2006

**c) Reconciliation of net cash provided by Government to current year appropriations used:**

	<b>2006</b>	<b>2005</b>
	(in thousands of dollars)	
Net cash provided by Government	166,451	157,430
Refund and adjustment of previous year expenditures	1,297	190
Revenue not available for spending	(41)	732
 Change in net position in the Consolidated Revenue Fund		
(Increase) Decrease in accounts receivable and advances	1,498	(1,760)
Increase (Decrease) in liabilities:		
Accounts payable and accrued liabilities	(5,837)	8,653
Other adjustments	(1,051)	(712)
	(5,390)	6,181
 <b>Current year appropriations used</b>	<b>162,317</b>	<b>164,533</b>

**4. Expenses**

The following table presents details of expenses by category:

	<b>2006</b>	<b>2005</b>
	(in thousands of dollars)	
		<b>(Restated)</b>
Salaries and employee benefits	110,349	102,803
Professional and special services	31,907	35,746
Accommodation	14,176	13,257
Transportation and telecommunications	8,849	8,014
Information	5,856	4,232
Acquisition of machinery and equipment	4,493	5,651
Purchased repair and maintenance	4,029	3,999
Amortization of tangible capital assets	3,032	2,565
Rental	1,984	1,469
Utilities, materials and equipment	1,768	2,034
Other expenses	1,037	246
Transfer payments	877	4,566
Loss on disposal of tangible capital assets	16	72
	188,373	184,654
<b>Total</b>	<b>188,373</b>	<b>184,654</b>

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**Privy Council Office  
Notes to Financial Statements  
(Unaudited)**

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for the year ended March 31, 2006

**5. Revenues**

The following table presents details of revenues by category:

	<u>2006</u>	<u>2005</u>
	(in thousands of dollars)	
Gain on disposal of tangible assets	22	107
Regulatory fees	8	7
Miscellaneous revenues	7	3
Policy Research Initiative – conference revenues	-	116
Gain on foreign exchange	-	3
<b>Total</b>	<u>37</u>	<u>236</u>

**6. Accounts Receivable and Advances**

The following table presents details of accounts receivable and advances:

	<u>2006</u>	<u>2005</u>
	(in thousands of dollars)	
Receivables from other federal government departments and agencies	1,693	3,167
Receivables from external parties	272	305
Employee advances	20	32
	<u>1,985</u>	<u>3,504</u>
Less: allowance for doubtful accounts on external receivables	(68)	(89)
<b>Total</b>	<u>1,917</u>	<u>3,415</u>

**Privy Council Office  
Notes to Financial Statements  
(Unaudited)**

for the year ended March 31, 2006

**7. Tangible Capital Assets**

	Cost				Accumulated amortization				Net book value March 31, 2006	Net book value March 31, 2005
	Opening balance April 1, 2005	Acquisitions	Disposals and write- offs	Closing balance March 31, 2006	Accumulated amortization April 1, 2005	Amortization	Disposals and write-offs	Accumulated amortization March 31, 2006		
Machinery and Equipment	40	-	-	40	(24)	(2)	-	(26)	14	16
Informatics Hardware	8,633	1,304	(491)	9,446	(5,130)	(1,646)	489	(6,287)	3,159	3,508
Informatics Software	3,584	246	-	3,830	(1,431)	(896)	-	(2,327)	1,503	2,153
Other Equipment	4,587	380	-	4,967	(1,533)	(433)	-	(1,966)	3,001	3,054
Motor Vehicles	365	-	(47)	318	(176)	(55)	33	(198)	120	189
Work in Process – Software	7	60	-	67	-	-	-	-	67	7
Work in Process – Other	1,743	120	-	1,863	-	-	-	-	1,863	1,738
<b>Total</b>	<b>18,959</b>	<b>2,110</b>	<b>(538)</b>	<b>20,531</b>	<b>(8,294)</b>	<b>(3,032)</b>	<b>522</b>	<b>(10,804)</b>	<b>9,727</b>	<b>10,665</b>

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## Privy Council Office Notes to Financial Statements (Unaudited)

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for the year ended March 31, 2006

### 8. *Accounts Payable and Other Liabilities*

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

	<b>2006</b>	<b>2005</b>
	(in thousands of dollars)	
Payables to external parties	14,978	19,373
Payables to other federal government departments and agencies	3,421	5,053
Other liabilities	776	586
Contingent liabilities (note 10)	365	--
<b>Total</b>	<b>19,540</b>	<b>25,012</b>

### 9. *Employee Benefits*

**a) Pension benefits:** The Privy Council Office's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada and Quebec Pension Plans benefits and are indexed to inflation.

Both the employees and the department contribute to the cost of the Public Service Pension Plan. The 2005-2006 expense amounts to \$10,800,000 (\$9,984,000 in 2004-2005), which represents approximately 2.6 times the contributions by employees.

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

**b) Severance benefits:** The Privy Council Office provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	<b>2006</b>	<b>2005</b>
	(in thousands of dollars)	
Accrued benefits obligation, beginning of year	11,111	10,330
Expense for the year	3,612	1,885
Benefits paid during the year	(1,828)	(1,104)
Accrued benefits obligation, end of year	12,895	11,111

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**Privy Council Office  
Notes to Financial Statements  
(Unaudited)**

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for the year ended March 31, 2006

**10. Contingent Liabilities**

Claims and litigations:

Claims have been made against the Privy Council Office in the normal course of operations. Legal proceedings for claims totalling approximately \$865,000 were still pending at March 31, 2006. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements. The Privy Council Office has an accrued liability of \$365,000 relating to these outstanding claims.

**11. Contractual Obligations**

The nature of the Privy Council Office's activities can result in large multi-year contracts and obligations whereby the department 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)	2007	2008	2009	2010	2011 and thereafter	Total
Transport and telecommunications	251	142	-	-	-	393
Information	2,146	105	678	82	-	3,011
Professional and special services	1,533	406	198	-	-	2,137
Rental	1,319	647	474	315	551	3,306
Purchased repair and maintenance	483	21	20	16	-	540
Other	69	-	-	-	-	69
<b>Total</b>	<b>5,801</b>	<b>1,321</b>	<b>1,370</b>	<b>413</b>	<b>551</b>	<b>9,456</b>

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## Privy Council Office Notes to Financial Statements (Unaudited)

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for the year ended March 31, 2006

### **12. Related Party Transactions**

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

Services provided without charge:

During the year, the Privy Council Office received, without charge from other government departments, accommodation, legal fees and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the department's Statement of Operations as follows:

	<u>2006</u>	<u>2005</u>
	(in thousands of dollars)	
Accommodation	13,164	12,183
Employer's contribution to the health and dental insurance plans	6,243	6,514
Worker's compensation coverage	10	11
Legal services	<u>3,010</u>	<u>1,217</u>
<b>Total</b>	<u><u>22,427</u></u>	<u><u>19,925</u></u>

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Work and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in the Department's Statement of Operations

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## Privy Council Office Notes to Financial Statements (Unaudited)

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for the year ended March 31, 2006

### 13. *Comparative information and restatement of prior periods*

Comparative figures on the Statement of Operations have been restated to conform to the presentation by Program Activity and to present the recording of the provisions for severance benefits and services provided without charge as follows:

	<b>2005</b>
	(in thousands of dollars)
Restatement of Equity of Canada:	
Severance benefits obligation as of April 1, 2004	10,330
Restatement for 2004-2005:	
Provision for severance benefits for 2004-2005	781
Services provided without charge for 2004-2005	19,925
	20,706

### 14. *Program Activity Reporting*

The 2005-2006 Financial Statements for the Privy Council Office were prepared based on Treasury Board Secretariat reporting requirements for program activities. As a result, charges for Corporate Services activities which were presented separately in the financial statements in prior years have now been distributed between Program Activities. If this reporting requirement had not been implemented, expenses for 2005-2006 would have been reported as follows:

	<b>2006</b>	<b>2005</b>
	(in thousands of dollars)	
Office of the Prime Minister	7,329	7,220
Offices of the Portfolio Ministers	7,510	7,441
Secretariats and Advisors	68,743	70,320
Commissions of Inquiry	16,297	25,474
Corporate Services	88,494	74,199
Total expenses	188,373	184,654

# List of Statutory Reports

## *Annual Report to the Prime Minister on the Public Service*

Pursuant to section 47.1 of the Public Service Employment Act, the Clerk of the Privy Council, as Head of the Public Service, shall submit a report on the state of the Public Service each fiscal year to the Prime Minister. This report is then tabled in the House of Commons by the Prime Minister.

The Clerk's current *Annual Report to the Prime Minister on the Public Service of Canada* is available online at [www.pco-bcp.gc.ca/default.asp?Language=E&Page=report](http://www.pco-bcp.gc.ca/default.asp?Language=E&Page=report).

## *Annual Report to Parliament on the Access to Information Act*

PCO submitted its annual report to Parliament on the administration of the Access to Information Act in the Privy Council Office. This report is required by section 72(1) of the Act.

## *Annual Report to Parliament on the Privacy Act*

PCO submitted its annual report to Parliament on the administration of the Privacy Act in the Privy Council Office. This report is required by section 72(1) of the Act.



# Legislation Administered

## *Prime Minister*

Constitution Acts	
Governor General's Act	R.S. 1985, c.G-9, as amended
Inquiries Act	R.S. 1985, c.I-11, as amended
Ministries and Ministers of State Act	R.S. 1985, c.M-8
Public Service Rearrangement and Transfer of Duties Act	R.S. 1985, c.P-34
Royal Style and Titles Act	R.S. 1985, c.R-12
Royal Style and Titles (Canada) Act	1947, c.72 (see also R.S.C. 1970, c.12)
Salaries Act	R.S. 1985, c.S-3, as amended

## *President of the Queen's Privy Council for Canada*

Canadian Transportation Accident Investigation and Safety Board Act	1989, c.3, as amended
Oaths of Allegiance Act	R.S. 1985, c.O-1
Representation Act, 1974	1974-75-76, c.13, as amended
Representation Act, 1985	1986, c.8, as amended
Royal Assent Act	2002, c.15

## *Leader of the Government in the House of Commons*

Parliament of Canada Act	R.S., 1985, c.P-1, as amended
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## *Deputy Leader of the Government in the House of Commons*

Electoral Boundaries Readjustment Act	R.S. 1985, c.E-3, as amended
Electoral Boundaries Readjustment Suspension Act, 1994	1994, c.19
Referendum Act	1992, c.30, as amended
Canada Elections Act	2000, c.9, as amended

## *Leader of the Government in the Senate*

Federal Law-Civil Law Harmonization Act No. 2	2004, c.21
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## Further Information

General Inquiries & Publications:	613-957-5153
Telephone device for the hearing impaired:	613-957-5741
Prime Minister	<a href="http://www.pm.gc.ca">www.pm.gc.ca</a>
Deputy Prime Minister	<a href="http://www.pco-bcp.gc.ca/default.asp?Language=E&amp;Page=ministers">www.pco-bcp.gc.ca/default.asp?Language=E&amp;Page=ministers</a>
Leader of the Government in the House of Commons	<a href="http://www.pco-bcp.gc.ca/default.asp?Language=E&amp;Page=ministers">www.pco-bcp.gc.ca/default.asp?Language=E&amp;Page=ministers</a>
President of the Queen's Privy Council and Minister of Intergovernmental Affairs	<a href="http://www.pco-bcp.gc.ca/default.asp?Language=E&amp;Page=ministers">www.pco-bcp.gc.ca/default.asp?Language=E&amp;Page=ministers</a>
Leader of the Government in the Senate	<a href="http://www.pco-bcp.gc.ca/default.asp?Language=E&amp;Page=ministers">www.pco-bcp.gc.ca/default.asp?Language=E&amp;Page=ministers</a>
Privy Council Office	<a href="http://www.pco-bcp.gc.ca">www.pco-bcp.gc.ca</a>
Speech from the Throne	<a href="http://pm.gc.ca/eng/sft-ddt.asp">http://pm.gc.ca/eng/sft-ddt.asp</a>
Official Languages	<a href="http://www.pco-bcp.gc.ca/olo">www.pco-bcp.gc.ca/olo</a>
Orders-in-Council	<a href="http://www.pco-bcp.gc.ca/oic-ddc">www.pco-bcp.gc.ca/oic-ddc</a>
Regulatory Affairs and Orders-in-Council	<a href="http://www.pco-bcp.gc.ca/raoics-srdc">www.pco-bcp.gc.ca/raoics-srdc</a>
Smart Regulation	<a href="http://www.smartregulation.gc.ca">www.smartregulation.gc.ca</a>
Government of Canada Regulation Site	<a href="http://www.regulation.gc.ca">www.regulation.gc.ca</a>
Policy Research Initiative	<a href="http://www.policyresearch.gc.ca">www.policyresearch.gc.ca</a>
Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar	<a href="http://www.Ararcommission.ca">www.Ararcommission.ca</a>
Commission of Inquiry into the Sponsorship Program and Advertising Activities	<a href="http://epe.lac-bac.gc.ca/100/206/301/pco-bcp/commissions/sponsorship-ef/index.html">http://epe.lac-bac.gc.ca/100/206/301/pco-bcp/commissions/sponsorship-ef/index.html</a>