



Financial Statements of the

Office of the Secretary to the Governor General

For the Year Ended March 31, 2013

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2013 and all information contained in these statements rests with the management of the Office of the Secretary to the Governor General. These financial statements have been prepared by management using the Government's accounting policies which are based on Canadian public sector accounting standards.

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

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

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

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

The Office of the Secretary to the Governor General is subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to comply with the Treasury Board *Policy on Internal Control*.

The financial statements of the Office have not been audited.



Mr. Stephen Wallace

Secretary to the Governor General and Herald Chancellor
Deputy Head

Ottawa, Canada
August 30, 2013



Mr. Fady Abdul-Nour P.Eng

Director General, Corporate Services
Chief Financial Officer

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Statement of Financial Position (Unaudited)

As at March 31

(in dollars)	2013	2012
Liabilities		
Accounts payable and accrued liabilities (Note 4)	1,174,585	1,074,341
Vacation pay and compensatory leave	685,973	652,959
Deferred revenue (Note 5)	125,000	141,787
Employee future benefits (Note 6)	855,779	991,248
Total liabilities	2,841,337	2,860,335
Financial assets		
Due from the Consolidated Revenue Fund	1,266,187	1,160,361
Accounts receivable and advances (Note 7)	102,608	181,721
Total financial assets	1,368,795	1,342,082
Departmental Net debt	1,472,542	1,518,253
Non-financial assets		
Medals and official gifts	331,931	459,620
Gift shop inventory	21,282	53,361
Tangible capital assets (Note 8)	283,525	217,377
Total non-financial assets	636,738	730,358
Departmental Net financial position	(835,804)	(787,895)

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



Mr. Stephen Wallace
Secretary to the Governor General and Herald Chancellor
Deputy Head



Mr. Fady Abdul-Nour P.Eng
Director General, Corporate Services
Chief Financial Officer

Ottawa, Canada
August 30, 2013

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Statement of Operations and Departmental Net Financial Position (Unaudited)

For the year ended March 31

(in dollars) 2013 2012

Expenses

Governor General support	24,005,962	22,438,211
Internal services	10,448,359	10,898,265

Total expenses	34,454,321	33,336,476
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Revenues

Gift shop revenue	50,610	58,994
Heraldic user fees	30,433	22,620
Miscellaneous revenues	17,502	11,775

Total revenues	98,545	93,389
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Net cost of operations before government funding	34,355,776	33,243,087
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Government funding

Net cash provided by Government	20,555,460	21,736,772
Change in due from Consolidated Revenue Fund	105,826	(62,126)
Services provided without charge by other government departments (note 9)	13,646,581	12,537,546

Total Government funding	34,307,867	34,212,192
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Net cost of operations after government funding	47,909	(969,105)
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Departmental Net financial position - Beginning of year	(787,895)	(1,757,000)
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Departmental Net financial position - End of year	(835,804)	(787,895)
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Segmented information (note 10)

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

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31

(in dollars)	2013	2012
Net cost of operations after government funding	47,909	(969,105)
Change due to tangible capital assets		
Acquisition of tangible capital assets	185,068	130,630
Amortization of tangible capital assets	(118,920)	(78,357)
Total change due to tangible capital assets	66,148	52,273
Change due to inventories	(159,768)	61,492
Net decrease in departmental net debt	(45,711)	(855,340)
Departmental Net debt - Beginning of year	1,518,253	2,373,593
Departmental Net debt - End of year	1,472,542	1,518,253

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

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Statement of Cash Flows (Unaudited)

For the year ended March 31

(in dollars)	2013	2012
Operating activities		
Net cost of operations before government funding	34,355,776	33,243,087
Non-cash items:		
Services provided without charge by other government departments (note 9)	(13,646,581)	(12,537,546)
Amortization of tangible capital assets	(118,920)	(78,357)
Gain on disposal of tangible capital assets	17,482	-
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and accountable advances	(79,113)	67,254
Decrease in gift shop inventory	(32,079)	(5,980)
Increase (decrease) in medals and official gifts	(127,689)	67,471
Decrease (increase) in accounts payable and accrued liabilities	(100,244)	152,149
Increase in vacation pay and compensatory leave	(33,014)	(95,524)
Claims for pending and threatened litigations	-	6,000
Decrease (increase) in deferred revenue	16,787	(123,500)
Decrease in future employee benefits	135,469	911,088
Cash used in operating activities	20,387,874	21,606,142
Capital investing activities		
Acquisitions of tangible capital assets	185,068	130,630
Proceeds from disposal of tangible capital assets	(17,482)	-
Cash used in capital investing activities	167,586	130,630
Net cash provided by Government of Canada	20,555,460	21,736,772

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

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Notes to the Financial Statements (Unaudited)

For the year ended March 31

1. Authority and objectives

The Office of the Secretary to the Governor General was designated an agency for purposes of the *Financial Administration Act* (FAA) by P.C. 1952-1903 dated March 31, 1952.

The primary objectives of the Office are to enable the Governor General, representing the Crown in Canada, to fulfill state and ceremonial public duties, including the recognition of excellence. The Office also provides for expenditures in respect of pensions and activities performed by former Governors General. To reflect these objectives, the operations of the Office are divided into two program activities:

(a) Governor General Support - The Office of the Secretary to the Governor General (OSGG) provides support and advice to the Governor General of Canada in his/her unique role as the representative of The Queen in Canada as well as commander-in-chief. OSGG assists the Governor General in carrying out constitutional responsibilities, in representing Canada at home and abroad, in bringing Canadians together, and in granting armorial bearings. OSGG also supports the Governor General in encouraging excellence through the administration of the Canadian Honours System and by organizing the presentations of national honours, decorations, medals and awards. OSGG manages a visitor services program at both of the Governor General's official residences and oversees the day-to-day operations of these residences. OSGG also provides support to former Governors General, including pensions to former Governors General and their spouses.

(b) Internal Services - Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

2. Summary of significant accounting policies

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

Significant accounting policies are as follows:

(a) Parliamentary authorities

The Office is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the Office do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Office Net Financial Position and the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting.

(b) Net cash provided by Government

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

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Notes to the Financial Statements (Unaudited)

For the year ended March 31

2. Summary of significant accounting policies (continued)

(c) Due from the CRF

Amounts due from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Office is entitled to draw from the CRF without further appropriations to discharge its liabilities.

(d) Revenues

Funds received from external parties for specified purposes are recorded upon receipt as deferred revenues. These revenues are recognized in the period in which the related expenses are incurred.

Funds that have been received are recorded as deferred revenue, provided the Office has an obligation to other parties for the provision of goods, services or the use of assets in the future.

Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

(e) Expenses

Expenses are recorded on the accrual basis:

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

(f) Employee future benefits

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

(g) Accounts receivable

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

(h) Gift Shop Inventory

Gift shop inventory consists of items for resale and is valued at the lower of cost using the average cost method or net realizable value.

(i) Medals and Official Gifts

Medals and official gifts consists of medals for the Order of Canada insignia and other honours as well as official gifts held for distribution in the future are valued at original cost or net realizable value.

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Notes to the Financial Statements (Unaudited)

For the year ended March 31

2. Summary of significant accounting policies (continued)

(j) Tangible capital assets

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

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

Capital assets class	Amortization period
Computer Hardware	3 years
Computer Software	7 years
Vehicles	5 years
Other Equipment	10 years

(k) Annuity payments to former Governors General

Pursuant to provisions contained within the *Governor General's Act* and the *Supplementary Retirement Benefits Act*, taxable annuities are paid to: (i) former Governors General; and (ii) surviving spouses of former Governors General. These annuities are indexed annually to the Consumer Price Index and are recognized as an expense in the period in which payment is due.

(l) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Notes to the Financial Statements (Unaudited)

For the year ended March 31

3. Parliamentary authorities

The Office receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Office Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the Office has different net results of operations for the year on a government-funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

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

(in dollars)	2013	2012
Net cost of operations before government funding	34,355,776	33,243,087
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Services provided without charge by other government departments	(13,646,581)	(12,537,546)
Medals and official gifts issued	(262,279)	(98,221)
Employee severance benefits	135,469	911,088
Amortization of tangible capital assets	(118,920)	(78,357)
Gift shop inventory costs	(66,064)	(5,980)
Claims for pending and threatened litigation	-	(1,400)
Vacation pay and compensatory leave	(33,014)	(95,524)
Revenues	98,545	93,389
Other	12,315	533
	(13,880,529)	(11,812,018)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Purchase of medals and official gifts	134,591	165,692
Purchase of gift shop inventory	33,985	-
Acquisitions of tangible capital assets	185,068	130,630
	353,644	296,322
Current year authorities used	20,828,891	21,727,391

(b) Authorities provided and used

(in dollars)	2013	2012
Authorities provided:		
Vote 1 - Program expenditures	18,298,987	19,786,196
Statutory amounts	2,847,360	2,840,231
Less:		
Authorities available for future years	(11,695)	(11,770)
Lapsed authorities: Program expenditures	(305,761)	(887,231)
Lapsed authorities: Statutory expenditures	-	(35)
Current year authorities used	20,828,891	21,727,391

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Notes to the Financial Statements (Unaudited)

For the year ended March 31

4. Accounts payable and accrued liabilities

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

(in dollars)	2013	2012
Accounts payable - External parties	535,641	542,971
Accounts payable - Other government departments and agencies	50,713	82,001
Total accounts payable	586,354	624,972
Accrued liabilities	588,231	449,369
Total accounts payable and accrued liabilities	1,174,585	1,074,341

5. Deferred revenue

Deferred revenue represents the balance at year-end of unearned revenues received as gifts, donations or bequests to Rideau Hall from private organizations and individuals to fund specific initiatives. Revenue is recognized in the period in which these expenditures are incurred or in which the service is performed. Details of the transactions related to this account are as follows:

(in dollars)	2013	2012
Opening balance	141,787	18,287
Amounts received	(16,787)	125,000
Revenues recognized	-	(1,500)
Net closing balance	125,000	141,787

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Notes to the Financial Statements (Unaudited)

For the year ended March 31

6. Employee future benefits

(a) Pension benefits

The Office's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. 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/Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and the Office contribute to the cost of the Plan. The 2012-13 expense for the Office amounts to \$1,507,122 (\$1,561,047 in 2011-12), which represents approximately 1.7 times (1.8 times in 2011-12) the contributions by employees.

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

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

(in dollars)	2013	2012
Accrued benefit obligation, beginning of year	991,248	1,902,336
Expense for the year	170,927	888,541
Benefits paid during the year	(306,396)	(1,799,629)
Accrued benefit obligation, end of year	855,779	991,248

7. Accounts receivable and advances

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

(in dollars)	2013	2012
Receivables - Other government departments and agencies	95,208	140,131
Receivables - External parties	3,100	37,590
Employee advances	4,300	4,000
Total accounts receivable and advances	102,608	181,721

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Notes to the Financial Statements (Unaudited)

For the year ended March 31

8. Tangible capital assets

Capital Asset Class

Cost (in dollars)	Opening Balance	Acquisitions	Disposals and write-offs	Closing Balance
Computer hardware	1,182,931	153,323	940,883	395,371
Computer software	194,496	6,936	194,496	6,936
Vehicles	382,967	24,809	299,325	108,451
Other equipment	18,422	-	-	18,422
Total	1,778,816	185,068	1,434,704	529,180

Accumulated amortization (in dollars)	Opening Balance	Amortization	Disposals and write-offs	Closing Balance
Computer hardware	1,028,317	100,139	940,883	187,573
Computer software	189,511	5,645	194,496	660
Vehicles	332,712	11,294	299,325	44,681
Other equipment	10,899	1,842	-	12,741
Total	1,561,439	118,920	1,434,704	245,655

Net book value (in dollars)	2012	2013
Computer hardware	154,614	207,798
Computer software	4,985	6,276
Vehicles	50,255	63,770
Other equipment	7,523	5,681
Total	217,377	283,525

9. Related party transactions

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

a) Common services provided without charge by other government departments

During the year, the Office received services without charge from the National Capital Commission (NCC) and Public Works and Government Services Canada (PWGSC) related to accommodation. In addition, the employer's contribution to the health and dental insurance plans is provided by Treasury Board Secretariat (TBS). These services provided without charge have been recorded in the Office's Statement of Operations and Net Financial Position as follows:

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Notes to the Financial Statements (Unaudited)

For the year ended March 31

9. Related party transactions (continued)

(in dollars)	2013	2012
Accommodation	12,554,887	11,656,644
Employer's contribution to the health and dental insurance plans	1,091,694	880,902
Total	13,646,581	12,537,546

In addition to the support provided by the Office, four federal government departments and agencies are also mandated to support the activities of the Governor General. The level of support and services provided to the Office is determined by each of the contributors and funded out of the budgets of those organizations. The various contributing departments are responsible for allocating and managing the funds they provide to support the activities of the Governor General and the Office and are subject to Treasury Board guidelines. The amounts spent by the departments in question do not appear in the accounts of the Office nor are they recorded as operating expenses by the Office;

- ✓ The Department of National Defence (DND) provides logistical support and transportation (similar to the support provided to the prime minister) to the Governor General in an official capacity;
- ✓ The Royal Canadian Mounted Police (RCMP) provides support in matters related to the security and personal protection services (similar to the support provided to the prime minister) for the Governor General and his or her spouse, domestically and abroad;
- ✓ The Department of Foreign Affairs and International Trade (DFAIT) advises the Governor General on all matters related to foreign policy and funds activities related to incoming State visits, as well as the Governor General's international program and activities undertaken at the request of the prime minister; and
- ✓ The Office also works closely with other agencies such as the Department of Canadian Heritage (PCH), which is the lead department for activities including Royal visits, State funerals, national memorial services and special anniversary celebrations.

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

(b) Other transactions with related parties

(in dollars)	2013	2012
Expenses - Other Government departments and agencies	3,065,824	2,817,960
Revenues - Other Government departments and agencies	17,852	13,075

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

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Notes to the Financial Statements (Unaudited)

For the year ended March 31

10. Segmented Information

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

(in dollars)	Governor General Support	Internal services	2013	2012
Operating Expenses				
Salaries and employee benefits	11,638,238	4,357,512	15,995,750	16,700,529
Accommodation	8,537,324	4,017,565	12,554,889	11,656,642
Materials and supplies	862,227	597,620	1,459,847	923,772
Professional and other services	1,198,468	583,112	1,781,580	1,518,320
Travel	670,820	15,962	686,782	706,043
Pensions to former Governors General	536,517	-	536,517	523,069
Telecommunication services	14,520	262,956	277,476	267,478
Information services	388,617	10,070	398,687	385,337
Purchase repair and maintenance	8,419	21,500	29,919	322,123
Postage, freight, express, and cartage	9,622	105,373	114,995	105,744
Rentals	74,731	282,994	357,725	98,858
Amortization expense	-	118,920	118,920	78,357
Utilities	4,233	300	4,533	12,108
Miscellaneous expenditures	62,226	74,475	136,701	38,096
Total Operating expenses	24,005,962	10,448,359	34,454,321	33,336,476
Revenues				
Gift shop	50,610	-	50,610	58,994
Heraldic user fees	30,433	-	30,433	22,620
Others	17,502	-	17,502	11,775
Total revenues	98,545	-	98,545	93,389
Net cost of operations before government funding	23,907,417	10,448,359	34,355,776	33,243,087