



Financial Statements of the

Office of the Secretary to the Governor General

For the Year Ended March 31, 2014

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2014 and all information contained in these statements rests with the management of the Office of the Secretary to the Governor General (the Office). 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 is subject to periodic Core Control Audits performed by the Office of the Comptroller General of Canada (OCG) and uses the results of such audits to comply with the Treasury Board *Policy on Internal Control*. A Core Control Audit was performed in 2013-14 by the OCG. The Audit Report and related Management Action Plan were presented to the Small Departments and Agencies Audit Committee.

The financial statements of the Office have not been audited.



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



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

Ottawa, Canada
August 29, 2014

OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Statement of Financial Position (Unaudited)

As at March 31

(in dollars)	2014	2013
Liabilities		
Accounts payable and accrued liabilities (Note 4)	1,063,002	1,174,585
Vacation pay and compensatory leave	636,709	685,973
Deferred revenue (Note 5)	125,385	125,000
Employee future benefits (Note 6)	620,665	855,779
Total liabilities	2,445,761	2,841,337
Financial assets		
Due from the Consolidated Revenue Fund	1,149,998	1,266,187
Accounts receivable and advances (Note 7)	108,461	102,608
Total financial assets	1,258,459	1,368,795
Net debt	1,187,302	1,472,542
Non-financial assets		
Medals and official gifts	453,598	331,931
Gift shop inventory	22,583	21,282
Tangible capital assets (Note 8)	306,536	283,525
Total non-financial assets	782,717	636,738
Net financial position	(404,585)	(835,804)

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



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

Ottawa, Canada
August 29, 2014



M. Fady Abdul-Nour, P.Eng
Director General, Corporate Services
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OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL

Statement of Operations and Net Financial Position (Unaudited)

For the year ended March 31

(in dollars)	2014	2013
Expenses		
Governor General support	21,691,922	24,005,962
Internal services	9,633,098	10,448,359
Total expenses	31,325,020	34,454,321
Revenues		
Heraldic user fees	17,835	30,433
Miscellaneous revenues	9,415	17,502
Gift shop revenues	5,678	50,610
Total revenues	32,928	98,545
Net cost of operations before government funding	31,292,092	34,355,776
Government funding		
Net cash provided by Government	20,381,817	20,555,460
Change in due from Consolidated Revenue Fund	(116,189)	105,826
Services provided without charge by other government departments (Note 9)	11,457,683	13,646,581
Total Government funding	31,723,311	34,307,867
Net cost of operations after government funding	(431,219)	47,909
Net financial position - Beginning of year	(835,804)	(787,895)
Net financial position - End of year	(404,585)	(835,804)

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 Net Debt (Unaudited)

For the year ended March 31

(in dollars)	2014	2013
Net cost of operations after government funding	(431,219)	47,909
Change due to tangible capital assets		
Acquisition of tangible capital assets	158,333	185,068
Amortization of tangible capital assets	(135,322)	(118,920)
Total change due to tangible capital assets	23,011	66,148
Change due to inventories	122,968	(159,768)
Net decrease in net debt	(285,240)	(45,711)
Net debt - Beginning of year	1,472,542	1,518,253
Net debt - End of year	1,187,302	1,472,542

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)

2014

2013

Operating activities

Net cost of operations before government funding 31,292,092 34,355,776

Non-cash items:

Services provided without charge by other government departments ([Note 9](#)) (11,457,683) (13,646,581)

Amortization of tangible capital assets (135,322) (118,920)

Gain on disposal of tangible capital assets 9,415 17,482

Variations in Statement of Financial Position:

Increase (decrease) in accounts receivable and accountable advances 5,853 (79,113)

Increase (decrease) in gift shop inventory 1,301 (32,079)

Increase (decrease) in medals and official gifts 121,667 (127,689)

Decrease (increase) in accounts payable and accrued liabilities 111,583 (100,244)

Decrease (increase) in vacation pay and compensatory leave 49,264 (33,014)

Decrease (increase) in deferred revenue (385) 16,787

Decrease in future employee benefits 235,114 135,469

Cash used in operating activities 20,232,899 20,387,874

Capital investing activities

Acquisitions of tangible capital assets 158,333 185,068

Proceeds from disposal of tangible capital assets (9,415) (17,482)

Cash used in capital investing activities 148,918 167,586

Net cash provided by Government of Canada 20,381,817 20,555,460

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

Notes to the Financial Statements (Unaudited)

For the year ended March 31

1. Authority and objectives

The Office of the Secretary to the Governor General (the Office) was designated an agency for purposes of the *Financial Administration Act* 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 programs:

(a) Governor General Support - The Office 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. The Office 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. The Office 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. The Office manages a visitor services program at both of the Governor General's official residences and oversees the day-to-day operations of these residences. The Office 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 Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. [Note 3](#) provides a reconciliation between the bases of reporting.

(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.

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 authorities 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 and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

- ✓ **Pension benefits:** Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. 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.

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 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)	2014	2013
Net cost of operations before government funding	31,292,092	34,355,776
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Services provided without charge by other government departments	(11,457,683)	(13,646,581)
Medals and official gifts issued	24,032	(262,279)
Decrease in employee future benefits	235,114	135,469
Amortization of tangible capital assets	(135,322)	(118,920)
Gift shop inventory costs	248	(66,064)
Decrease (increase) in vacation pay and compensatory leave	49,264	(33,014)
Revenues	32,928	98,545
Refund of previous year expenditures	8,810	12,315
	(11,242,609)	(13,880,529)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Purchase of medals and official gifts	97,635	134,591
Purchase of gift shop inventory	1,053	33,985
Acquisitions of tangible capital assets	158,333	185,068
	257,021	353,644
Current year authorities used	20,306,504	20,828,891

(b) Authorities provided and used

(in dollars)	2014	2013
Authorities provided:		
Vote 1 - Program expenditures	17,756,042	18,298,987
Statutory amounts	3,039,779	2,847,360
Less:		
Authorities available for future years	(5,015)	(11,695)
Lapsed authorities: Program expenditures	(484,302)	(305,761)
Lapsed authorities: Statutory expenditures	-	-
Current year authorities used	20,306,504	20,828,891

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)	2014	2013
Accounts payable - External parties	444,707	535,641
Accounts payable - Other government departments and agencies	136,164	50,713
Total accounts payable	580,871	586,354
Accrued liabilities	482,131	588,231
Total accounts payable and accrued liabilities	1,063,002	174,585

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)	2014	2013
Opening balance	125,000	141,787
Amounts received	(22,815)	(16,787)
Revenues recognized	23,200	-
Net closing balance	125,385	125,000

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

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

The 2013-2014 expense amounts to \$1,548,384 (\$1,507,122 in 2012-2013). For Group 1 members, the expenses represents approximately 1.6 times (1.7 times in 2012-2013) the employee contributions and, for Group 2 members, approximately 1.5 times (1.6 times in 2012-2013) the employee contributions.

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)	2014	2013
Accrued benefit obligation, beginning of year	855,779	991,248
Expense for the year	78,919	170,927
Benefits paid during the year	(314,033)	(306,396)
Accrued benefit obligation, end of year	620,665	855,779

7. Accounts receivable and advances

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

(in dollars)	2014	2013
Receivables - Other government departments and agencies	93,689	95,208
Receivables - External parties	12,072	3,100
Employee advances	2,700	4,300
Total accounts receivable and advances	108,461	102,608

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	395,371	110,522	-	505,893
Computer software	6,936	26,681	-	33,617
Vehicles	108,451	21,130	27,304	102,277
Other equipment	18,422	-	-	18,422
Total	529,180	158,333	27,304	660,209

Accumulated amortization

(in dollars)	Opening Balance	Acquisitions	Disposals and write-offs	Closing Balance
Computer hardware	187,573	119,652	-	307,225
Computer software	660	1,124	-	1,784
Vehicles	44,681	12,703	27,304	30,080
Other equipment	12,741	1,843	-	14,584
Total	245,655	135,322	27,304	353,673

Net book value

(in dollars)	2013	2014
Computer hardware	207,798	198,668
Computer software	5,681	31,833
Vehicles	6,276	72,197
Other equipment	63,770	3,838
Total	283,525	306,536

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)	2014	2013
Accommodation	10,336,973	12,554,887
Employer's contribution to the health and dental insurance plans	1,120,710	1,091,694
	11,457,683	13,646,581

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 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 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, Trade and Development 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, 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 PWGSC and audit services provided by the Office of the Auditor General are also not included in the Office's Statement of Operations and Net Financial Position.

(b) Other transactions with related parties

(in dollars)	2014	2013
Expenses - Other Government departments and agencies	3,158,913	3,065,824
Revenues - Other Government departments and agencies	9,415	17,852

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	2014	2013
Operating Expenses				
Salaries and employee benefits	11,666,196	4,908,198	16,574,394	15,995,750
Accommodation	7,029,142	3,307,831	10,336,973	12,554,889
Professional and other services	1,051,212	409,405	1,460,617	1,781,580
Materials and supplies	433,589	194,148	627,737	1,459,847
Travel	560,912	15,158	576,070	686,782
Pensions to former Governors General	545,374	-	545,374	536,517
Telecommunication services	20,334	286,293	306,627	277,476
Information services	262,918	10,270	273,188	398,687
Rentals	43,598	225,907	269,505	357,725
Amortization expense	-	135,322	135,322	118,920
Other	43,186	56,061	99,247	136,701
Postage, freight, express, and cartage	8,545	83,219	91,764	114,995
Purchase repair and maintenance	23,390	1,286	24,676	29,919
Utilities	3,526	-	3,526	4,533
Total operating expenses	21,691,922	9,633,098	31,325,020	34,454,321
Revenues				
Heraldic user fees	17,835	-	17,835	30,433
Miscellaneous revenues	9,415	-	9,415	17,502
Gift shop revenues	5,678	-	5,678	50,610
Total revenues	32,928	-	32,928	98,545
Net cost of operations before government funding	21,658,994	9,633,098	31,292,092	34,355,776