



Financial Statements of the

Office of the Secretary to the Governor General

For the Year Ended March 31, 2012

# Office of the Secretary to the Governor General

## Statement of Management Responsibility Including Internal Control over Financial Reporting

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Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2012 and all information contained in these statements rests with the management of the *Office of the Secretary to the Governor General (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.

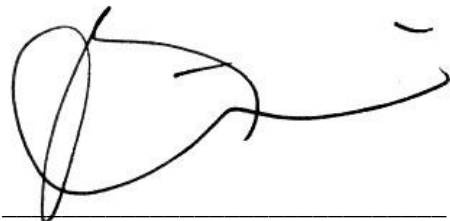
The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

The *Office* will be subject to periodic Core Control Audits performed by the Office of the Comptroller General and will use the results of such audits to adhere to the Treasury Board *Policy on Internal Control*. In the interim, the *Office* has undertaken a risk-based assessment of the system of ICFR for the year ended March 31, 2012, in accordance with the Treasury Board *Policy on Internal Control*, and the results and action plan are summarized in the annex.

The financial statements of the Office have not been audited.



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 31, 2012



**ANNEX TO THE STATEMENT OF MANAGEMENT RESPONSIBILITY INCLUDING INTERNAL CONTROL OVER  
FINANCIAL REPORTING OF THE OFFICE OF THE SECRETARY TO THE GOVERNOR GENERAL  
FOR FISCAL YEAR 2011-2012 (UNAUDITED)**

**1. INTRODUCTION**

This document is an annex to the Office of the Secretary to the Governor General *Statement of Management Responsibility Including Internal Control Over Financial Reporting* which prefaces the financial statements for the fiscal year 2011-12. As required by the Treasury Board Policy on Internal Control, this annex provides summary information on the measures taken by The Office to maintain an effective system of internal control over financial reporting (ICFR).

It is important to note that the system of ICFR is not designed to eliminate every possible risk, rather to mitigate risk to a reasonable level with controls that are balanced with and proportionate to the risks they aim to mitigate. The maintenance of an effective ICFR is an ongoing process designed to identify and prioritize risks and the controls to mitigate those risks, as well as to monitor its performance in support of continuous improvement.

**2. ASSESSMENT RESULTS AS OF MARCH 31, 2012**

**Design effectiveness** aims to identify and document key controls, to ensure that they are in place and aligned with the risks they aim to mitigate, and that required remediation is addresses appropriately and in a timely manner.

**Entity Level Control (ELC)**

The Office has completed the assessment of design effectiveness of its ELC. The assessment showed that key policies related to ELC are in place. A process to ensure regular review is also in place. The documentation and the corporate risk profile have been updated.

In addition, The Office recognizes the importance of direction from senior management to help ensure that staff at all levels understand their roles in maintaining effective systems of ICFR and are well equipped to exercise these responsibilities effectively.

The Office's objective is to continually enhance its internal control environment to ensure risks are managed well through a responsive and risk-based approach that enables continuous improvement and innovation.

The Office's control environment also includes a series of measures to equip its staff to manage risks well through raising awareness, providing appropriate knowledge and tools as well as developing skills.



Key organization-wide measures include:

- An established governance structure and provision of strategic direction through the Extended Management Committee and the Senior Management Committee;
- The Office has throughout the year participated in various forums to get a better understanding of the requirements of the *Policy on Internal Control* and participated in various workshops to assist in the completion of this assessment and overall plan;
- The financial processes have been established to ensure an adequate segregation of duties through delegated signing authorities and financial system user profiles and passwords;
- Senior Financial Officers under the DCFO responsible for internal controls;
- Annual performance agreements for senior management with clearly sets out financial management responsibilities;
- Training program and communications in core areas of financial management;
- Departmental policies tailored to the Office's control environment; and
- Regularly updated delegated authorities matrix.

#### Information Technology General Control (ITGC)

The Office is well underway in assessing the design effectiveness of ITGC and will continue this work in fiscal year 2012-2013. To date the assessment includes the following measures:

- Documentation completed to validate the Information technology processing systems to achieve greater security, integrity, efficiency and effectiveness;
- The information processing has been reviewed at the application level and also at the database, operating system, internal and perimeter network levels. For each of these levels, management reviewed the controls regarding these domains:
  - Information Technology continuity environment;
  - Program development;
  - Program change; and
  - Access to programs, data and computer operations.

In other words, we have validated with IT management the infrastructure and implementation of applications, as well as the integrity of program data file and computer operations.

To date the assessment has shown that minor improvements are required. For example, we will ensure that system users are awarded adequate system access profiles by reviewing and documenting their profiles on a periodic basis.

The Office will continue its work on the design effectiveness of ITGC in 2012-13.



### Business Process Controls

The Office has completed the assessment of the design effectiveness of Business Process Controls. With the assistance of consultants, the Office conducted interviews with key stakeholders to collect information on required key financial controls and identify required controls for each selected process.

The Office has taken measures to assess its system of ICFR by focusing on the following main areas:

- Operating expenses, procurement, accounts payable and accrued liabilities;
- Common business key processes including procurement to payment process;
- Payroll and staffing;
- Capital asset management; and
- Financial reporting.

For each significant account, the Office completed the following steps:

- Gathered information pertaining to processes, risks and controls relevant to ICFR, including appropriate policies and procedures;
- Mapped out key processes with the identification and documentation of key risk and control points on the basis of materiality, volumes, complexity, susceptibility to losses/frauds, areas subject to audit observations, past history.

**Operating effectiveness** aims to ensure that key controls are working as intended over a defined period, and that required remediation is addresses appropriately and in a timely manner.

The Office has completed the testing of its Entity Level and Business Process controls and will start ongoing monitoring of these controls in 2012-13.

### **3. ASSESSMENT PLAN**

The Office plans to complete the design effectiveness and operational testing of its ITGC in 2012-2013. In addition, the Office will commence ongoing monitoring of its ICFR in order to maintain an effective system. The Office senior management is committed to sustaining and continuously improving its sound framework of effective ICFR in the department, to ensure that the key controls meet the expectations of management and stakeholders and appropriately mitigate associated risks.

**Office of the Secretary to the Governor General**  
**Statement of Financial Position (Unaudited)**  
**As at March 31**  
*(in dollars)*

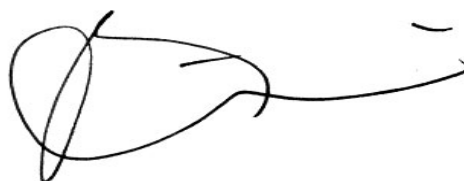
	2012	2011
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	1,074,341	1,226,490
Vacation pay and compensatory leave	652,959	557,435
Allowance for claims and pending and threatened litigations	0	6,000
Deferred revenue (note 5)	141,787	18,287
Employee future benefits (note 6)	991,248	1,902,336
<b>Total net liabilities</b>	<b>2,860,335</b>	<b>3,710,548</b>
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	1,160,361	1,222,488
Accounts receivable and advances (note 7)	181,721	114,467
<b>Total financial assets</b>	<b>1,342,082</b>	<b>1,336,955</b>
<b>Office net debt</b>	<b>1,518,253</b>	<b>2,373,593</b>
<b>Non-financial assets</b>		
Medals and official gifts	459,620	392,149
Gift shop inventory	53,361	59,340
Tangible capital assets (note 8)	217,377	165,104
<b>Total non-financial assets</b>	<b>730,358</b>	<b>616,593</b>
<b>Office net financial position</b>	<b>(787,895)</b>	<b>(1,757,000)</b>

The accompanying notes form an integral part of these financial statements



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

Ottawa, Canada  
August 31, 2012



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

**Office of the Secretary to the Governor General**  
**Statement of Operations and Net Financial Position (*Unaudited*)**  
**For the Year Ended March 31**  
*(in dollars)*

	<b>2012</b>	<b>2011</b>
		Restated (note 11)
<b>Expenses</b>		
Governor General Support	22,438,211	25,335,510
Internal Services	10,898,265	9,276,103
<b>Total Expenses</b>	<b>33,336,476</b>	<b>34,611,613</b>
<b>Revenues</b>		
Gift shop revenue	58,994	61,082
Heraldic User Fees	22,620	17,835
Miscellaneous revenues	11,775	39
<b>Total Revenues</b>	<b>93,389</b>	<b>78,956</b>
<b>Net cost of operations before government funding and transfers</b>	<b>33,243,087</b>	<b>34,532,657</b>
<b>Government funding and transfers</b>		
Net cash provided by Government	21,736,772	20,074,714
Change in due from Consolidated Revenue Fund	(62,126)	(94,146)
Services provided without charge by other government departments (note 9)	12,537,546	14,331,646
<b>Total Government funding and transfers</b>	<b>34,212,192</b>	<b>34,312,214</b>
<b>Net cost (revenue) of operations after government funding and transfers</b>	<b>(969,105)</b>	<b>220,443</b>
<b>Office net financial position - Beginning of year</b>	<b>(1,757,000)</b>	<b>(1,536,557)</b>
<b>Office net financial position - End of year</b>	<b>(787,895)</b>	<b>(1,757,000)</b>

Segmented information (note 10)

The accompanying notes form an integral part of these 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)*

	<b>2012</b>	<b>2011</b>
<b>Net cost of operations after government funding and transfers</b>	<b>(969,105)</b>	<b>220,443</b>
<b>Change due to tangible capital assets</b>		
Acquisition of tangible capital assets	130,630	120,853
Amortization of tangible capital assets	<u>(78,357)</u>	<u>(76,437)</u>
<b>Total change due to tangible capital assets</b>	<b>52,273</b>	<b>44,416</b>
<b>Change due to inventories</b>	<b>61,492</b>	<b>19,614</b>
<b>Change due to prepaid expenses</b>	<b>0</b>	<b>(24,523)</b>
<b>Net Increase (decrease) in departmental net debt</b>	<b>(855,340)</b>	<b>259,950</b>
<b>Office net debt - Beginning of year</b>	<b>2,373,593</b>	<b>2,113,643</b>
<b>Office net debt - End of year</b>	<b><u>1,518,253</u></b>	<b><u>2,373,593</u></b>

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



**Office of the Secretary to the Governor General**  
**Statement of Cash Flows** *(Unaudited)*  
**For the Year Ended March 31**  
*(in dollars)*

	2012	2011
<b>Operating activities:</b>		
Net cost of operations before government funding and transfers	33,243,087	34,532,657
Non cash items:		
Services provided without charge		
by other government departments (note 9)	(12,537,546)	(14,331,646)
Amortization of tangible capital assets	(78,357)	(76,437)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	67,254	(144,906)
Increase (decrease) in prepaid expenses	0	(24,523)
Increase (decrease) in gift shop inventory	(5,980)	17,380
Increase (decrease) in medals and official gifts	67,471	2,234
Decrease (increase) in accounts payable and accrued liabilities	152,149	81,246
Decrease (increase) in vacation pay and compensatory leave	(95,524)	(91,424)
Claims for pending and threatened litigations	6,000	(6,000)
Decrease (increase) in deferred revenue	(123,500)	(1,500)
Decrease (increase) in future employee benefits	911,088	(3,220)
<b>Cash used in operating activities</b>	<b>21,606,142</b>	<b>19,953,861</b>
<b>Capital investing activities:</b>		
Acquisitions of tangible capital assets	130,630	120,853
<b>Cash used in capital investing activities</b>	<b>130,630</b>	<b>120,853</b>
<b>Net cash provided by Government of Canada</b>	<b>21,736,772</b>	<b>20,074,714</b>

*The accompanying notes form an integral part of these 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 (Office) was designated a department 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 provides support and advice to the Governor General of Canada in his/her unique role as the representative of The Queen in Canada. The Office assists the Governor General in carrying out responsibilities associated with representing the Crown in Canada, representing Canada internationally, serving as Commander in Chief and bringing Canadians together. The Office also supports the Governor General in encouraging excellence and achievement through the administration of the Canadian Honours System and by organizing the presentations of honours, awards and armorial bearings. 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 - The Office provides services and resources to support its own needs and operations and to enable it to fulfill its corporate obligations. The services and resources provided are related to the following areas: management and oversight, human resource management, financial management, information management, information technology, materiel management, acquisitions, 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.
- (c) Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Office is entitled to draw from the CRF without further appropriations to discharge its liabilities.

**Office of the Secretary to the Governor General**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

(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:

(i) Pension benefits: Eligible employees participate in the Public Service Superannuation 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.

(ii) 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 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 and 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**

- (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:

<b>Asset Class</b>	<b>Amortization period</b>
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 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.

**3. Parliamentary Authorities**

The Office receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations & 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:

**Office of the Secretary to the Governor General**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

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

	<b>2012</b>	<b>2011</b>
	<i>(in dollars)</i>	
Net cost of operations before government funding and transfers	33,243,087	34,532,657
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge by other government departments	(12,537,546)	(14,331,646)
Medals and official gifts issued	(98,221)	(161,911)
Employee severance benefits	911,088	(33,904)
Amortization of tangible capital assets	(78,357)	(76,437)
Gift shop inventory costs	(5,980)	(8,700)
Claims for pending and threatened litigation	(1,400)	(6,000)
Vacation pay and compensatory leave	(95,524)	(91,424)
Revenues	93,389	78,956
Other	533	11,125
Total items affecting net cost of operations but not affecting authorities	(11,812,018)	(14,619,941)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Purchase of medals and official gifts	165,692	164,146
Purchase of gift shop inventory		26,080
Acquisitions of tangible capital assets	130,630	120,853
Total items not affecting net cost of operations but affecting authorities	296,322	311,079
<b>Current year authorities used</b>	<b>21,727,391</b>	<b>20,223,795</b>

**b) Authorities provided and used**

Authorities Provided		
Vote 1 - Program expenditures	19,786,196	18,125,795
Statutory amounts	2,840,231	2,777,479
Less:		
Authorities available for future years	(11,770)	(35)
Lapsed authorities: Program expenditures	(887,231)	(679,444)
Lapsed authorities: Statutory expenditures	(35)	-
<b>Current year authorities used</b>	<b>21,727,391</b>	<b>20,223,795</b>

**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:

	<b>2012</b>	<b>2011</b>
	<i>(in dollars)</i>	
Accounts payable- External parties	542,971	480,893
Accounts payable- Other government departments and agencies	82,001	215,577
Total accounts payable	624,972	696,470
Accrued liabilities	449,369	530,020
<b>Total accounts payable and accrued liabilities</b>	<b>1,074,341</b>	<b>1,226,490</b>

**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:

	<b>2012</b>	<b>2011</b>
	<i>(in dollars)</i>	
<b>Opening balance</b>	<b>18,287</b>	<b>16,787</b>
Amounts received	125,000	1,500
Revenues recognized	(1,500)	-
<b>Net closing balance</b>	<b>141,787</b>	<b>18,287</b>

**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 2011-12 expense for the Office amounts to \$1,561,047 (\$1,542,088 in 2010-11), which represents approximately 1.8 times (1.9 times in 2010-11) 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 final salary. 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:

	<b>2012</b>	<b>2011</b>
	<i>(in dollars)</i>	
<b>Accrued benefit obligation - Beginning of year</b>	<b>1,902,336</b>	<b>1,899,116</b>
Expense for the year	888,541	(258 503)
Benefits paid during the year	(1,799,629)	261,723
<b>Accrued benefit obligation - End of year</b>	<b>991,248</b>	<b>1,902,336</b>

**7. Accounts Receivable and Advances**

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

	<b>2012</b>	<b>2011</b>
	<i>(in dollars)</i>	
Receivables - Other government departments and agencies	140,131	70,041
Receivables- External parties	37,590	40,826
Employee advances	4,000	3,600
<b>Net accounts receivable</b>	<b>181,721</b>	<b>114,467</b>

**Office of the Secretary to the Governor General**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**8. Tangible Capital Assets**

*(in dollars)*

Capital Asset Class	Cost				Accumulated Amortization				Net book value	
	Opening balance	Acquisitions	Disposals and write-offs	Closing balance	Opening balance	Amortization	Disposals and write-offs	Closing balance	2012	2011
Computer hardware	1,080,438	102,493	-	1,182,931	964,952	63,365	-	1,028,317	154,614	115,486
Computer software	194,496	-	-	194,496	181,822	7,689	-	189,511	4,985	12,674
Vehicles	354,830	28,137	-	382,967	327,098	5,614	-	332,712	50,255	27,732
Other equipment	18,422	-	-	18,422	9,210	1,689	-	10,899	7,523	9,212
<b>Total</b>	<b>1,648,186</b>	<b>130,630</b>	<b>-</b>	<b>1,778,816</b>	<b>1,483,082</b>	<b>78,357</b>	<b>-</b>	<b>1,561,439</b>	<b>217,377</b>	<b>165,104</b>



**Office of the Secretary to the Governor General**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

**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, legal services and the employer's contribution to the health and dental insurance plans are provided by the Department of Justice and Treasury Board Secretariat (TBS) respectively. These services provided without charge have been recorded in the Office's Statement of Operations and Net Financial Position as follows:

	<b>2012</b>	<b>2011</b>
	<i>(in dollars)</i>	
Accommodation	11,656,644	13,237,618
Employer's contribution to the health and dental insurance plans	880,902	1,064,637
Legal services	0	29,391
<b>Total</b>	<b>12,537,546</b>	<b>14,331,646</b>

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 structured 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.

**Office of the Secretary to the Governor General**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

**9. Related Party Transactions (cont'd)**

**(b) Other transactions with related parties:**

	<b>2012</b>	<b>2011</b>
	<i>(in dollars)</i>	
Expenses - Other government departments and agencies	2,817,960	2,254,686
Revenues - Other government departments and agencies	13,075	1,305

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**  
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**For the Year Ended March 31**

	<b>Governor General Support</b>	<b>Internal Services</b>	<b>2012 Total</b>	<b>Restated (note 11)</b>
Operating expenses				
Salaries and employee benefits	10,444,679	6,255,850	16,700,529	16,676,870
Accommodation	8,509,349	3,147,293	11,656,642	13,237,618
Materials and supplies	625,475	298,297	923,772	1,073,493
Professional and other services	1,113,149	405,171	1,518,320	1,344,858
Travel	685,378	20,665	706,043	662,060
Pensions to former Governors General	523,069	0	523,069	450,004
Telecommunication services	37,818	229,660	267,478	349,244
Information services	384,891	446	385,337	308,471
Purchased repair and maintenance	898	321,225	322,123	187,486
Postage, freight, express, and cartage	5,514	100,230	105,744	88,057
Rentals	60,188	38,670	98,858	148,954
Amortization expense	0	78,357	78,357	76,437
Utilities	12,108	0	12,108	0
Miscellaneous expenditures	35,695	2,401	38,096	8,061
Total expenses	22,438,211	10,898,265	33,336,476	34,611,613
<b>Revenues</b>				
Gift shop	58,994	0	58,994	61,082
Heraldic User Fees	22,620	0	22,620	17,836
Others	0	11,775	11,775	38
Total revenues	81,614	11,775	93,389	78,956
<b>Net cost from continuing operations</b>	<b>22,356,597</b>	<b>10,886,490</b>	<b>33,243,087</b>	<b>34,532,657</b>

**Office of the Secretary to the Governor General**  
**Notes to the Financial Statements (*Unaudited*)**  
**For the Year Ended March 31**

**11. Accounting Changes**  
(in dollars)

During 2011, amendments were made to *Treasury Board Accounting Standard 1.2—Departmental and Agency Financial Statements* to improve financial reporting by government departments and agencies. The amendments are effective for financial reporting of fiscal years ending March 31, 2012, and later. The significant changes to the Department's financial statements are described below. These changes have been applied retroactively, and comparative information for 2010-11 has been restated.

Net debt (calculated as liabilities less financial assets) is now presented in the Statement of Financial Position. Accompanying this change, the Department now presents a Statement of Change in Net Debt and no longer presents a Statement of Equity.

Government funding and transfers, as well as the credit related to services provided without charge by other government departments are now recognized in the Statement of Operations and Departmental Net Financial Position below "Net cost of operations before government funding and transfers." In previous years, the Department recognized these transactions directly in the Statement of Equity of Canada. The effect of this change was to decrease the net cost of operations after government funding and transfers by \$34,212,192 for 2012 (\$34,312,214 for 2011).

	2011 As previously stated	Effect of change	2011 Restated
Government funding and transfers			
Change in due from the Consolidated Revenue Fund	0	(94,146)	(94,146)
Services provided without charge by other government departments	0	14,331,646	14,331,646

**12. Comparative information**

Comparative figures have been reclassified to conform to the current year's presentation.