



Financial Statements of the

Office of the Secretary to the Governor General

For the Year Ended March 31, 2016

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, 2016 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.

Original signed by

M. Stephen Wallace

Secretary to the Governor General and Herald Chancellor
Deputy Head

Ottawa, Canada

September 1, 2016

Original signed by

M. 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)	2016	2015
Liabilities		
Accounts payable and accrued liabilities (Note 4)	2,399,737	1,637,378
Vacation pay and compensatory leave	641,859	643,030
Deferred revenue (Note 5)	98,189	113,327
Employee future benefits (Note 6)	878,213	858,118
Total liabilities	4,017,998	3,251,853
Financial assets		
Due from the Consolidated Revenue Fund	2,409,777	1,321,457
Accounts receivable and advances (Note 7)	131,799	535,792
Total financial assets	2,541,576	1,857,249
Net debt	1,476,422	1,394,604
Non-financial assets		
Medals and official gifts	502,852	480,770
Gift shop inventory	-	22,583
Prepaid expenses	36,451	-
Tangible capital assets (Note 8)	1,114,809	532,523
Total non-financial assets	1,654,112	1,035,876
Net financial position	177,690	(358,728)

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

Original signed by

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

Ottawa, Canada
September 1, 2016

Original signed by

M. 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)	2016	2015
Expenses		
Governor General support	25,292,689	20,827,760
Internal services	9,687,027	8,065,738
Total expenses	34,979,716	28,893,498
Revenues		
Heraldic user fees	16,095	20,880
Gift shop revenue	1,422	-
Miscellaneous revenues	93,059	638
Total revenues	110,576	21,518
Net cost of operations before government funding	34,869,140	28,871,980
Government funding		
Net cash provided by Government	21,117,178	20,625,566
Change in due from Consolidated Revenue Fund	1,088,320	171,459
Services provided without charge by other government departments (Note 9)	13,204,106	8,552,687
Transfer of the transition payments for implementing salary payments in arrears (Note 10)	(4,046)	(431,875)
Total Government funding	35,405,558	28,917,837
Net cost of operations after government funding	(536,418)	(45,857)
Net financial position - Beginning of year	(358,418)	(404,585)
Net financial position - End of year	177,690	(358,728)

Segmented information ([Note 11](#))

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)	2016	2015
Net cost of operations after government funding	(536,418)	(45,857)
Change due to tangible capital assets		
Acquisition of tangible capital assets	507,306	361,367
Amortization of tangible capital assets	(237,277)	(135,380)
Assets under construction	312,258	-
Total change due to tangible capital assets	582,287	225,987
Change due to inventories	(502)	27,172
Change due to prepaid expenses	36,451	-
Net decrease in net debt	81,818	207,302
Net debt - Beginning of year	1,394,604	1,187,302
Net debt - End of year	1,476,422	1,394,604

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) 2016 2015

Operating activities

Net cost of operations before government funding **34,869,140** 28,871,980

Non-cash items:

Services provided without charge by other government departments ([Note 9](#)) **(13,204,106)** (8,552,687)

Amortization of tangible capital assets **(237,277)** (135,380)

Transition payments for implementing salary payments in arrears ([Note 10](#)) **4,046** 431,875

Variations in Statement of Financial Position:

Increase (decrease) in accounts receivable and accountable advances **(403,993)** 427,331

Increase (decrease) in gift shop inventory **(22,583)** -

Increase (decrease) in medals and official gifts **22,082** 27,172

Decrease (increase) in accounts payable and accrued liabilities **(762,359)** (574,376)

Decrease (increase) in vacation pay and compensatory leave **1,171** (6,321)

Decrease (increase) in deferred revenue **15,138** 12,058

Decrease in future employee benefits **(20,095)** (237,453)

Cash used in operating activities **20,297,615** 20,264,199

Capital investing activities

Acquisitions of tangible capital assets **507,306** 361,367

Asset under construction **312,258** -

Cash used in capital investing activities **819,563** 361,367

Net cash provided by Government of Canada **21,117,178** 20,625,566

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 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 constitutional, state, ceremonial and 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 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 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)	2016	2015
Net cost of operations before government funding	34,869,140	28,871,980
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Services provided without charge by other government departments	(13,204,106)	(8,552,687)
Medals and official gifts issued	(323,883)	(243,136)
Employee future benefits	(20,095)	(237,453)
Amortization of tangible capital assets	(237,277)	(135,380)
Vacation pay and compensatory leave	1,171	(6,321)
Revenues	23,974	21,518
Refund of previous years' expenditures	25,728	78,969
	(13,734,489)	(9,074,490)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Purchase of medals and official gifts	323,381	270,308
Acquisitions of tangible capital assets	507,306	361,367
Assets under construction	312,258	-
Transition payments for implementing salary payments in arrears	4,046	431,875
Increase in prepaid expenses	36,451	-
	1,183,441	1,063,550
Current year authorities used	22,318,092	20,861,040

(b) Authorities provided and used

(in dollars)	2016	2015
Authorities provided:		
Vote 1 - Program expenditures	19,722,711	18,160,255
Statutory amounts	2,901,936	2,906,058
Less:		
Authorities available for future years	(3,036)	-
Lapsed authorities: Program expenditures	(303,519)	(205,273)
Current year authorities used	22,318,092	20,861,040

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)	2016	2015
Accounts payable - Other government departments and agencies	101,124	114,452
Accounts payable – External parties	1,102,579	617,176
Total accounts payable	1,203,703	731,628
Accrued liabilities	1,196,034	905,760
Total accounts payable and accrued liabilities	2,399,737	1,637,378

5. Deferred revenue

Deferred revenue represents the balance at year-end of unearned revenues received as gifts, donations or bequests to Rideau Hall. It also represents fund received for collaborative agreements from private 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)	2016	2015
Opening balance	113,327	125,385
Amounts received	71,464	61,501
Revenues recognized	(86,602)	(73,559)
Net closing balance	98,189	113,327

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 contributors are defined as existing members who were required to contribute to the cost of the plan prior to January 1, 2013 and Group 2 contributors are defined as new members required to contribute on or after January 1, 2013.

Each group has a distinct contribution rate. The 2015-2016 expense amounts to \$1,412,713 (\$1,416,996 in 2014-2015). For Group 1 members, the expenses represents approximately 1.25 times (1.41 times in 2014-2015) the employee contributions and, for Group 2 members, approximately 1.24 times (1.39 times in 2014-2015) 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.

Notes to the Financial Statements (Unaudited)

For the year ended March 31

6. Employee future benefits (continued)*(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)	2016	2015
Accrued benefit obligation, beginning of year	858,118	620,665
Expense for the year	48,552	443,704
Benefits paid during the year	(28,457)	(206,251)
Accrued benefit obligation, end of year	878,213	858,118

7. Accounts receivable and advances

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

(in dollars)	2016	2015
Receivables - Other government departments and agencies	97,476	509,396
Receivables - External parties	31,623	23,696
Employee advances	2,700	2,700
Total accounts receivable and advances	131,799	535,792

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	788,952	150,702	-	939,654
Computer software	66,481	19,010	-	85,491
Vehicles	102,277	-	-	102,277
Other equipment	63,866	337,593	-	401,459
Assets under construction	-	312,258	-	312,258
Total	1,021,576	819,563	-	1,841,139

Accumulated amortization

(in dollars)	Opening Balance	Acquisitions	Disposals and write-offs	Closing Balance
Computer hardware	415,413	200,165	-	615,578
Computer software	6,677	9,497	-	16,174
Vehicles	50,536	20,455	-	70,991
Other equipment	16,427	7,160	-	23,587
Assets under construction	-	-	-	-
Total	489,053	237,277	-	726,330

Net book value

(in dollars)	2015	2016
Computer hardware	373,539	324,076
Computer software	59,804	69,317
Vehicles	51,741	31,286
Other equipment	47,439	377,872
Assets under construction	-	312,258
Total	532,523	1,114,809

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 Services and Procurement Canada (PSPC) 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:

(in dollars)	2016	2015
Accommodation	12,047,245	7,471,970
Employer's contribution to the health and dental insurance plans	1,156,861	1,080,717
	13,204,106	8,552,687

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;
- ✓ Global Affairs Canada (GAC) 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 PSPC 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)	2016	2015
Expenses - Other Government departments and agencies	3,179,308	3,020,389
Revenues - Other Government departments and agencies	6,892	638

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

Notes to the Financial Statements (Unaudited)

For the year ended March 31

10. Transfer of the transition payments for implementing salary payment in arrears

The Government of Canada implemented salary payments in arrears in 2014-15. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of the Office. However, it did result in the use of additional spending authorities by the Office. Prior to year end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Works and Government Services Canada, who is responsible for the administration of the Government pay system.

11. 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	2016	2015
Operating Expenses				
Salaries and employee benefits	12,050,609	4,619,355	16,669,964	16,586,714
Accommodation	8,742,133	3,305,111	12,047,244	7,471,970
Professional and other services	1,339,057	473,991	1,813,048	1,399,548
Materials and supplies	910,943	177,737	1,088,680	829,040
Travel	871,889	17,074	888,963	701,033
Pensions to former Governors General	560,186	-	560,186	551,361
Information services	467,343	78,687	546,030	324,344
Telecommunication services	75,304	339,166	414,470	303,792
Rentals	89,693	306,597	396,290	395,433
Amortization expense	-	237,277	237,277	135,380
Miscellaneous expenditures	135,229	15,510	150,739	95,515
Postage, freight, express, and cartage	32,547	107,958	140,505	86,414
Utilities	13,556	2,758	16,314	4,119
Purchase repair and maintenance	4,200	5,806	10,006	8,835
Total operating expenses	25,292,689	9,687,027	34,979,716	28,893,498
Revenues				
Heraldic user fees	16,095	-	16,095	20,880
Gift shop revenues	1,422	-	1,422	-
Others	86,602	6,457	93,059	638
Total revenues	104,119	6,457	110,576	21,518
Net cost of operations before government funding	25,188,570	9,680,570	34,869,140	28,871,980

12. Comparative information

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