



LIBRARY of PARLIAMENT
BIBLIOTHÈQUE du PARLEMENT

FINANCIAL STATEMENTS

MARCH 31, 2012

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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, 2012 and all information contained in these statements rests with the management of the Library of Parliament (the Library). These financial statements have been prepared by management 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 Library's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the *Library's Annual Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting 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 Library and through conducting an annual risk-based assessment of the effectiveness of the system of internal control over financial reporting.

The system of internal control over financial reporting is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of internal control over financial reporting for the year ended March 31, 2012 was completed in accordance with the Library's Policy on Internal Controls and the results and the action plans are summarized in the annex.

At the request of management, Ernst & Young, LLP has audited these financial statements and has expressed an audit opinion on the fair presentation of the financial statements of the Library, which does not include an audit opinion on the annual assessment of the effectiveness of the Library's internal controls over financial reporting.



Sonia L'Heureux
Parliamentary Librarian
Ottawa, Canada
September 11, 2012



Lynn Potter
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Parliamentary Librarian

We have audited the accompanying financial statements of the **Library of Parliament**, which comprise the statement of financial position as at March 31, 2012, the statement of operations and net financial position, the statement of changes in net debt and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Library of Parliament** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of the **Library of Parliament** for the year ended March 31, 2011, were audited by another auditor who expressed an unmodified opinion on those statements on August 3, 2011.

Ernst & Young LLP

Ottawa, Canada,
September 11, 2012.

Chartered Accountants
Licensed Public Accountants

Statement of Financial Position

As at March 31

(in dollars)

	<u>2012</u>	<u>2011</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	2,003,208	1,757,228
Vacation pay and compensatory leave	1,784,285	1,815,280
Employee future benefits (note 5(b))	5,966,905	5,966,654
Total net liabilities	<u>9,754,398</u>	<u>9,539,162</u>
Financial assets		
Due from Consolidated Revenue Fund	1,462,131	1,574,292
Accounts receivable and advances (note 6)	541,077	182,936
Total net financial assets	<u>2,003,208</u>	<u>1,757,228</u>
The Library's net debt	<u>7,751,190</u>	<u>7,781,934</u>
Non-financial assets		
Inventory for resale	318,036	360,431
Tangible capital assets (note 7)	2,672,794	3,117,811
Total non-financial assets	<u>2,990,830</u>	<u>3,478,242</u>
The Library's net financial position	<u><u>4,760,360</u></u>	<u><u>4,303,692</u></u>

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



Sonia L'Heureux
Parliamentary Librarian
Ottawa, Canada
September 11, 2012



Lynn Potter
Chief Financial Officer

LIBRARY OF PARLIAMENT

Statement of Operations and the Library's Net Financial Position

For the Year Ended March 31

(in dollars)

	<u>2012</u>	<u>2011</u>
Expenses		
Information support for Parliament	42,323,301	42,424,215
Governance and administratives services	10,137,946	10,669,311
Total expenses	<u>52,461,247</u>	<u>53,093,526</u>
Revenues		
Information support for Parliament	858,504	828,544
Governance and administratives services		1,242
Total revenues	<u>858,504</u>	<u>829,786</u>
Net cost of operations before government funding	<u>51,602,743</u>	<u>52,263,740</u>
Government funding		
Net cash provided by Government	41,347,617	41,752,049
Change in due from Consolidated Revenue Fund	(112,161)	132,307
Services provided without charge by other government departments (note 8(a))	9,910,619	9,904,647
Transfer of Assets from PWGSC		971,585
Net cost of operations after government funding	<u>456,668</u>	<u>(496,848)</u>
The Library's net financial position - Beginning of year	<u>4,303,692</u>	<u>4,800,540</u>
The Library's net financial position - End of year	<u><u>4,760,360</u></u>	<u><u>4,303,692</u></u>

Segmented information (note 9)

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

Statement of Change in the Library's Net Debt
For the Year Ended March 31
(in dollars)

	<u>2012</u>	<u>2011</u>
Net cost of operations after government funding	456,668	(496,848)
Change due to tangible capital assets		
Acquisition of tangible capital assets	339,528	492,945
Amortization of tangible capital assets	(728,649)	(601,520)
Loss on write-down of tangible capital assets	(55,896)	(3,711)
Total change due to tangible capital assets	(445,017)	(112,286)
Change due to inventories for resale	(42,395)	(18,658)
Net decrease in the Library's net debt	(30,744)	(627,792)
The Library's net debt - Beginning of year	7,781,934	8,409,726
The Library's net debt - End of year	<u>7,751,190</u>	<u>7,781,934</u>

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

Statement of Cash Flows**For the Year Ended March 31**

(in dollars)

	<u>2012</u>	<u>2011</u>
Operating activities		
Net cost of operations before government funding	51,602,743	52,263,740
Non-cash items:		
Amortization of tangible capital assets	(728,649)	(601,520)
Loss on write-down of tangible capital assets	(55,896)	(3,711)
Services provided without charge by other government departments (note 8(a))	(9,910,619)	(9,904,647)
Variations in Statement of Financial Position:		
Increase in accounts payable and accrued liabilities	(245,980)	(123,577)
Decrease (increase) in vacation pay and compensatory leave	30,995	(54,079)
Increase in employee future benefits	(251)	(289,714)
Increase (decrease) in accounts receivable and advances	358,141	(8,730)
Decrease in inventory for resale	(42,395)	(18,658)
Cash used in operating activities	<u>41,008,089</u>	<u>41,259,104</u>
Capital investing activities		
Acquisitions of tangible capital assets	339,528	492,945
Cash used in capital investment activities	<u>339,528</u>	<u>492,945</u>
Net cash provided by Government of Canada	<u><u>41,347,617</u></u>	<u><u>41,752,049</u></u>

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

Notes to the Financial Statements For the Year Ended March 31

1. Authority and Objectives

These statements provide the financial information related to all the operations controlled by the Library of Parliament (the Library).

Formally established under the *Parliament of Canada Act*, the Library's efforts in support of an informed and accessible Parliament pre-date Confederation. The Library provides Senators, Members of Parliament, and parliamentary committees with the independent, non-partisan information they need to examine the issues of the day, consider legislation and hold the government accountable. It preserves Parliament's rich documentary heritage while optimizing access to its important collections. It also welcomes hundreds of thousands of visitors to Parliament each year, and offers interpretive tours and educational programs and products to help the public understand Parliament's role in our democratic system and the important work parliamentarians do.

The activities of the Library can be summarized as follows:

Information Support for Parliament - To provide parliamentarians with information, documentation, research and analysis services to help them fulfil their roles as legislators and representatives and to support them in their efforts to make Parliament and information about Parliament accessible to the public.

Governance and Administrative Services - Activities and resources that enable managers and employees to deliver activities and programs for and about Parliament.

Notes to the Financial Statements For the Year Ended March 31

2. Summary of Significant Accounting Policies

These financial statements have been prepared using the Government's 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 Library is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Library do not parallel financial reporting according to Canadian generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Library's 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 Library operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Library is deposited to the CRF and all cash disbursements made by the Library are paid from the CRF. The net cash provided from the CRF is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.

(c) *Amounts due from the Consolidated Revenue Fund* – 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 Library is entitled to draw from the CRF without further appropriations to discharge its liabilities.

(d) *Revenues* - Revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenues takes place.

(e) *Expenses* – Expenses are recorded on the accrual basis:

- i. Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- ii. Services provided without charge by other government departments for accommodation and the employer's contribution to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

2. Summary of Significant Accounting Policies (continued)

(f) *Employee future benefits*

- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government of Canada. The Library's contributions to the Plan are charged to expenses in the year incurred and represent the total obligation of the Library to the Plan. The Library'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 and advances* – Accounts receivable and advances are stated at the lower of cost and net recoverable value; a valuation allowance is recorded for receivables where recovery is considered uncertain.

(h) *Inventory for resale* – Inventory is held for resale and is valued at the lower of cost and net realizable value on a first-in, first-out basis.

(i) *Foreign currency transactions* – Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect at year-end.

(j) *Tangible capital assets* – All tangible capital assets and leasehold improvements having an initial cost of \$2,500 or more are recorded at their acquisition cost. The Library does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value.

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

Asset Class	Amortization Period
Machinery and equipment	5 years
Other equipment	3 - 15 years
Computer equipment	3 years
Computer software	3 years

2. Summary of Significant Accounting Policies (continued)

(k) *Collections* – Collections of books and reference materials owned by the Library are charged to expense in the year of acquisition. During the year, the Library incurred \$2,002,305 in expenditures on collections (\$1,972,190 in 2011).

(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.

Notes to the Financial Statements

For the Year Ended March 31

3. Parliamentary Authorities

The Library receives most of its funding through annual Parliamentary authorities. Items recognized in the Statement of Operations and the Library's Net Financial Position and in the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the Library 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

	2012	2011
	(in dollars)	
Net cost of operations before government funding	51,602,743	52,263,740
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(728,649)	(601,520)
Services provided without charge by other government departments	(9,910,619)	(9,904,647)
Increase (decrease) in vacation pay and compensatory leave	30,995	(54,079)
Increase in employee future benefits	(251)	(289,714)
Revenue not available for spending	18,804	7,631
Decrease in inventory for resale	(42,395)	(18,658)
Proceeds from disposal of capital assets		1,242
Loss on write-down of tangible capital assets	(55,896)	(3,711)
Refund of prior year's expenditures	53,344	28,342
Total items affecting net cost of operations but not affecting authorities	<u>40,968,076</u>	<u>41,428,626</u>
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Acquisitions of tangible capital asset	339,528	492,945
Total items not affecting net cost of operations but affecting authorities	<u>339,528</u>	<u>492,945</u>
Current year authorities used	<u><u>41,307,604</u></u>	<u><u>41,921,571</u></u>

LIBRARY OF PARLIAMENT

3. Parliamentary Authorities (continued)

(b) Authorities provided and used

	<u>2012</u>	<u>2011</u>
	(in dollars)	
Authorities Provided:		
Vote 10 - Operating expenditures	37,496,080	38,096,000
Statutory amounts	4,937,897	4,948,977
Less:		
Lapsed: Operating	<u>(1,126,373)</u>	<u>(1,123,406)</u>
Current year authorities used	<u><u>41,307,604</u></u>	<u><u>41,921,571</u></u>

Notes to the Financial Statements

For the Year Ended March 31

4. Accounts Payable and Accrued Liabilities

The following table present details of the Library's accounts payable and accrued liabilities.

	<u>2012</u>	<u>2011</u>
	(in dollars)	
Accounts payable - Other government departments and agencies	119,226	355,229
Accounts payable - External parties	704,446	653,978
Total accounts payable	<u>823,672</u>	<u>1,009,207</u>
Accrued liabilities	<u>1,179,536</u>	<u>748,021</u>
Total accounts payable and accrued liabilities	<u><u>2,003,208</u></u>	<u><u>1,757,228</u></u>

Notes to the Financial Statements

For the Year Ended March 31

5. Employee future benefits

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

Both the employees and the Library contribute to the cost of the Plan. The 2011-2012 expense amounts to \$3,550,348 (\$3,474,182 in 2010-2011), which represents approximately 1.8 (1.9 in 2010-2011) times the contributions by employees.

The Library'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 Library 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. Information about the severance benefits, measured as at March 31, is as follows:

	<u>2012</u>	<u>2011</u>
	(in dollars)	
Accrued benefit obligation - Beginning of year	5,966,654	5,676,940
Expense for the year	975,195	941,440
Benefits paid during the year	<u>(974,944)</u>	<u>(651,726)</u>
Accrued benefit obligation - End of year	<u><u>5,966,905</u></u>	<u><u>5,966,654</u></u>

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.

Notes to the Financial Statements
For the Year Ended March 31

6. Accounts receivable and advances

The following table presents details of the Library's receivables and advances balances:

	<u>2012</u>	<u>2011</u>
	(in dollars)	
Receivables - Other government departments and agencies	314,064	58,762
Receivables - External parties	224,557	121,824
Employee advances	<u>2,456</u>	<u>2,350</u>
Net accounts receivable	<u><u>541,077</u></u>	<u><u>182,936</u></u>

Notes to the Financial Statements

For the Year Ended March 31

7. 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
Machinery and equipment	458,200	73,666	11,042	520,824	307,417	52,090	11,042	348,465	172,359	150,783
Other equipment	2,967,922	51,256	158,304	2,860,874	916,820	196,387	103,797	1,009,410	1,851,464	2,051,102
Computer equipment	1,350,522	182,682	17,867	1,515,337	712,506	305,928	16,478	1,001,956	513,381	638,016
Computer software	1,025,191	31,924		1,057,115	747,281	174,244		921,525	135,590	277,910
Total	5,801,835	339,528	187,213	5,954,150	2,684,024	728,649	131,317	3,281,356	2,672,794	3,117,811

Amortization expense for the year ended March 31, 2012 is \$728,649 (2011 - \$601,520)

Notes to the Financial Statements

For the Year Ended March 31

8. Related party transactions

The Library is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Library enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, the Library has an agreement with the House of Commons related to the provision of information technology services. During the year, the Library received common services which were obtained without charge from other Government departments as presented in part (a) below.

(a) Common services provided without charge by other government departments

During the year, the Library received services without charge from certain common service organizations, related to accommodation and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in the Library's Statement of Operations and Net Financial Position as follows:

	<u>2012</u>	<u>2011</u>
	(in dollars)	
Accommodation	7,699,936	7,697,239
Employer's contribution to health and dental insurance plan	<u>2,210,683</u>	<u>2,207,408</u>
Total	<u><u>9,910,619</u></u>	<u><u>9,904,647</u></u>

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 costs of these services, such as the payroll, cheque issuance and translation services provided by Public Works and Government Services Canada, are not included in the Library's Statement of Operations and the Library's Net Financial Position. In addition, the costs of maintenance, identity cards, transportation and messenger services provided by the Senate and the House of Commons are also not included in the Library's Statement of Operations and the Library's Net Financial Position.

8. Related party transactions (continued)

(b) Other transactions with related parties

	<u>2012</u>	<u>2011</u>
	(in dollars)	
Accounts receivable - Other government departments and agencies	314,064	58,762
Accounts payable - Other government departments and agencies	119,226	355,229
Expenses - Other government departments and agencies	6,462,003	6,534,697

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

Notes to the Financial Statements

For the Year Ended March 31

(in dollars)

9. Segmented information

Presentation by segment is based on the Library's program activity structure. 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 activities, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

	2012			2011
	Information Support for Parliament	Governance and Administrative Services	Total	Total
Expenses				
Salaries and employee benefits	30,306,994	6,278,379	36,585,373	37,060,694
Accommodation	6,685,456	1,014,480	7,699,936	7,697,239
Professional and special services	1,171,822	1,516,516	2,688,338	3,329,963
Material, equipment and supplies	2,202,384	153,685	2,356,069	2,505,057
Amortization of tangible capital assets	633,924	94,725	728,649	601,520
Communications, travel and relocation	403,856	263,164	667,020	671,527
Information	404,861	118,159	523,020	221,444
Repairs and maintenance	13,798	487,624	501,422	331,358
Cost of goods sold	449,384		449,384	427,545
Rentals	2,193	203,947	206,140	243,468
Loss on write-down of tangible capital assets	48,629	7,267	55,896	3,711
Total expenses	42,323,301	10,137,946	52,461,247	53,093,526
Revenues				
Sales of goods and information products - External entities	797,762		797,762	777,839
Sales of goods and information products - Other Government Departments	60,742		60,742	50,705
Revenue from disposal of tangible capital assets				1,242
Total revenues	858,504		858,504	829,786
Net cost from continuing operations	41,464,797	10,137,946	51,602,743	52,263,740

Notes to the Financial Statements

For the Year Ended March 31

10. Accounting Changes

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 changes to the Library's financial statements, described below, have been applied retroactively.

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

11. Comparative information

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

***Annex to the Statement of Management Responsibility Including
Internal Control Over Financial Reporting***

**Summary of the assessment of effectiveness of the systems of
internal control over financial reporting and action plan of the Library
of Parliament for fiscal year 2011-2012**

Preface

With the adoption by the Library of Parliament (the “Library”) of the *Policy on Internal Control*, effective November 9, 2010, the Library is required to demonstrate the measures it is taking to maintain an effective system of internal control over financial reporting (ICFR).

As part of this policy the Library is expected to conduct an annual assessment of its system of ICFR, establish an action plan to address any necessary adjustments, and to attach to the *Statement of Management Responsibility* a summary of the assessment results and action plan.

An effective system of ICFR aims to achieve reliable financial statements and to provide assurances that:

- Transactions are appropriately authorized;
- Financial records are properly maintained;
- Assets are safeguarded from risks such as waste, abuse, loss, fraud and mismanagement;
- Applicable laws, regulations and policies are followed.

It is important to note that the system of ICFR is not designed to eliminate all risks, 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 system of ICFR is an ongoing process designed to identify, assess effectiveness and adjust as required key risks and associated key controls, as well as to monitor its performance in support of continuous improvement.

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

1. Introduction

This document is attached to the Library *Statement of Management Responsibility Including Internal Control Over Financial Reporting* for the 2011-2012 fiscal-year. As required by the Library *Policy on Internal Control*, this document provides summary information on the measures taken by the Library to maintain an effective system of internal control over financial reporting (ICFR). In particular, it provides summary information on the assessments conducted by the Library as at March 31, 2012, including progress, results and related action plans along with some financial highlights pertinent to understanding the control environment unique to the Library. This is the second year of publication of this annex.

1.1 Authority, Mandate and Program Activities

Detailed information on the Library's authority, mandate and program activities can be found in the Library [Strategic Outlook](#).

Financial highlights

Below is key financial information for fiscal year 2011-2012. More information can be found in the Library's audited Financial Statements and Notes to the Financial Statements.

- Total expenses were \$52.5M, 70% of which is salary.
- Total revenues were \$858.5K, most of which are from Boutique sales.
- Total assets and liabilities were \$5.0M and \$9.8M respectively. Tangible capital assets comprise 54% of departmental total assets. Accounts payable and accrued liabilities comprise 21% of total liabilities.
- The Library has a number of information systems that are critical to its operations and financial reporting.

1.2 Audited financial statements

Financial statements of the Library have been audited since 2007. The Library has always received a clean audit opinion, including for fiscal-year 2011-2012.

1.3 Service arrangements relevant to financial statements

The Library relies on other organizations for the processing of certain transactions that are recorded in its financial statements.

- PWGSC centrally administers the payments of salaries and the management of accommodation services.
- Treasury Board Secretariat provides the Library with information used to calculate various accruals and allowances, such as the accrued severance liability.
- Under a Memorandum of Understanding, the House of Commons provides system development and maintenance support services for the information systems used in financial reporting.

1.4 Accounting changes in fiscal-year 2011-2012

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 changes to the Library's financial statements, described below, have been applied retroactively.

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

1.5 Changes in Senior Management

The Parliamentary Librarian, Mr. William R. Young retired in December 2011. Ms. Sonia L'Heureux, Assistant Parliamentary Librarian assumed the leadership of the Library until year end.

Ms Lynn Potter was appointed to the position of Chief Financial Officer in April 2011.

2. Library's control environment relevant to ICFR

The Library recognizes the importance of setting the tone from the top to help ensure that staff at all levels understand their roles in maintaining effective systems of ICFR and is well equipped to exercise these responsibilities effectively. The Library's focus is to ensure risks are managed well through a responsive and risk-based control environment that enables continuous improvement and innovation.

Key components of entity level controls at the Library aim at ensuring solid governance and effective risk management at the corporate level, as well as the maintenance of other entity level controls to provide effective support to staff by raising awareness and providing appropriate knowledge, skills and tools.

2.1 Key positions, roles and responsibilities

Below are the Library's key positions and committees with responsibilities for maintaining and reviewing the effectiveness of its system of ICFR.

Parliamentary Librarian (PL) – The Library's PL, as Accounting Officer, assumes overall responsibility and leadership for the measures taken to maintain an effective system of internal control. In this role, the PL chairs the Library Executive Committee.

Chief Financial Officer (CFO) – The Library's CFO reports directly to the PL and provides leadership for the coordination, coherence and focus on the design and maintenance of an effective and integrated system of ICFR, including its annual assessment.

Service Heads – The Library's Service Heads in charge of program delivery are responsible for maintaining and reviewing the effectiveness of the system of ICFR falling within their mandate.

Library Executive Committee (LEC) - As the Library's central decision-making body, the LEC reviews, approves and monitors the Corporate Risks Profile and the Library system of internal control, including the assessment and action plans relating to the system of ICFR.

2.2 Key measures taken by the Library

The Library's control environment 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 measures include:

- The establishment of a values and ethics code;
- Job descriptions for the Senior Officer, Financial Services and the Chief, Financial Services have been updated to include ICFR responsibilities;
- Annual performance agreements with clearly set out financial management responsibilities for all executives;
- Training program and communications in core areas of financial management;
- Policies tailored to the Library's control environment;
- Regularly updated delegation of financial signing authorities instrument;
- Documentation of main business processes and related key risk and control points to support the management and oversight of its system of ICFR.

3. Assessment of the Library's system of ICFR

3.1 Assessment baseline

The Library's financial statements for 2011-2012 were audited by Ernst & Young. The financial statements for the previous 5 years were audited by KPMG. In parallel, senior management has been providing increased focus on formalizing its approach to the management and on-going maintenance of its systems of ICFR with the objective of supporting continuous improvement.

In 2010-2011, consistent with the Library *Policy on Internal Control*, the Library also implemented a more systematic risk-based and multi-year assessment plan of the design and operating effectiveness of its systems of ICFR.

Whether it is to support the control-based audit requirements or those of the *Policy on Internal Control*, an effective system of ICFR has the objective to provide reasonable assurance that:

- Transactions are appropriately authorized;
- Data and financial information are accurate and consistent;
- Financial records are properly maintained;
- Assets are safeguarded; and
- Applicable laws, regulations and policies are followed.

Over time, this includes assessment of design and operating effectiveness of the system of ICFR leading to ensuring the on-going monitoring and continuous improvement of the Library system of ICFR.

Design effectiveness means to ensure that key control points are identified, documented, in place and that they are aligned with the risks (i.e. controls are balanced with and proportionate to the risks they aim to mitigate) and that any remediation is addressed. This includes the mapping of key processes and IT systems to the main accounts by location as applicable.

Operating effectiveness means that the application of key controls has been tested over a defined period and that any required remediation is addressed.

The assessment covers all Library control levels which include corporate or entity, general computer and business process controls.

On-going monitoring means that a systematic integrated approach to monitoring is in place, including periodic risk-based assessment and timely remediation.

3.2 Assessment method at the Library

The self-assessment at the Library is a systematic review conducted to provide assurance on internal control over financial reporting.

In 2010-2011, a scoping and planning exercise was undertaken to identify key business processes and to document financial statement assertions and control categories. Key business processes and sub-processes were identified, documented and the design effectiveness was tested.

In 2011-2012, the Library assessed the operating effectiveness of the key controls in the areas of compensation, goods and services and financial systems access security.

4. Assessment results as of March 31, 2012

During 2011-2012, the Library has continued to make solid progress in assessing and improving its key financial controls. The recommendations from the design effectiveness assessment completed in 2010-2011, were addressed in the following areas:

- Financial system access controls have been strengthened. New functional classes have been created to reflect the proper user access and segregation of duties.
- Goods and Services – enhanced commitment authority for collections and collaborative arrangements are now in place.

The Library also completed the following activities for compensation, goods and services and financial systems access security:

- Completed the test of operating effectiveness through process walkthroughs and testing of multiple transactions per process/sub-process;
- Identified any necessary remediation plans to address any gaps or issues of operating effectiveness;
- Reported the results of the alignment of the key internal controls with the process level risks and the identification of remediation plans.

On this basis, the Library has documented its approach and results in order to articulate its multi-year action plan and related implementation requirements.

There were no material deficiencies noted which would cause a significant weakness in internal controls over financial reporting.

The results from the test of operating effectiveness identified remediation requirements which have been addressed or remediation plans are in place.

Looking ahead, the Library will continue to ensure that controls are effective over time, taking into account the initial assessment as well as results from annual assessments and audit. This will involve developing and implementing a well integrated monitoring program to raise awareness and understanding of the Library's system of ICFR at all levels of the organization, equip staff with the knowledge, skills and tools needed to maintain a robust ICFR, and continue to assess the status of ICFR on an ongoing basis.

5. Library's action plan

Building on progress to date the Library has developed a multi-year plan to fully implement the requirements of the Policy on Internal Control and is positioned to complete the main assessment of its system of ICFR for 2012-13 and complete implementation of an ongoing monitoring process in 2013-2014. The action plan below highlights the progress that the Library will be making in ensuring that an effective system of internal control over financial reporting is in place.

	<u>Completed</u>	<u>2012-2013</u>	<u>2013-2014</u>
<u>Scoping and Planning</u>	✓		
<u>Process Controls</u>	<u>Completed</u>	<u>2012-2013</u>	<u>2013-2014</u>
<u>Documentation and identification of controls</u>			
Compensation	✓		
Goods and services	✓		
Boutique	✓		
Planning, budgeting and forecasting	✓		
Preparation of financial statements	✓		
Financial systems access security	✓		
<u>Test of Design</u>			
Compensation	✓		
Goods and services	✓		
Boutique	✓		
Planning, budgeting and forecasting	✓		
Preparation of financial statements	✓		
Financial systems access security	✓		
<u>Test of Operating effectiveness</u>			
Compensation	✓		
Goods and services	✓		
Boutique		✓	
Planning, budgeting and forecasting		✓	
Preparation of financial statements		✓	
Financial systems access security	✓		
<u>IT General Controls</u>	<u>Completed</u>	<u>2012-2013</u>	<u>2013-2014</u>
Documentation and identification of controls		✓	
Test of design		✓	
Test of operating effectiveness		✓	

<u>Entity Level Controls</u>	<u>Completed</u>	<u>2012-2013</u>	<u>2013-2014</u>
Documentation and identification of controls		✓	
Test of design		✓	
Test of operating effectiveness		✓	

<u>Monitoring</u>	<u>Completed</u>	<u>2012-2013</u>	<u>2013-2014</u>
On-going monitoring			✓

The Library is fully committed to this action plan. However, attainment of the milestones identified above will be contingent on the Library being able to maintain its current level of resources to implement the requirements of the Policy on Internal Control. Any major changes to the Library structure could certainly impact on the associated timelines. The Library will update its action plan on an annual basis.