



LIBRARY of PARLIAMENT
BIBLIOTHÈQUE du PARLEMENT

FINANCIAL STATEMENTS

MARCH 31, 2011

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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, 2011 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 in accordance with 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 assessment of the effectiveness of the system of internal control over financial reporting.

An assessment for the year ended March 31, 2011 was completed in accordance with the Library's Policy on Internal Control and the results and action plans are summarized in the annex.

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.

At the request of management, KPMG 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.



William R. Young
Parliamentary Librarian
Ottawa, Canada
August 3, 2011



Lynn Potter
Chief Financial Officer



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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, 2011, the statements of operations, deficit, and cash flows for the year then ended, and notes, comprising 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 our 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, we 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 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, 2011, and its results of operations and the changes in its deficit and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

August 3, 2011

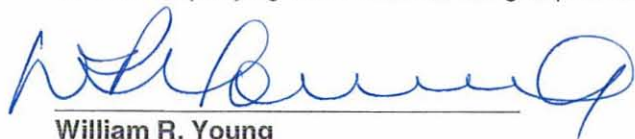
Ottawa, Canada

Statement of Financial Position**As at March 31**

(in dollars)

	<u>2011</u>	<u>2010</u> Restated (Note 9)
Assets		
Financial assets		
Due from Consolidated Revenue Fund	1,574,292	1,441,985
Accounts receivable and advances (note 4)	<u>182,936</u>	<u>191,666</u>
Total financial assets	<u>1,757,228</u>	<u>1,633,651</u>
Non-financial assets		
Inventory for resale	360,431	379,089
Tangible capital assets (note 5)	<u>3,117,811</u>	<u>2,258,512</u>
Total non-financial assets	<u>3,478,242</u>	<u>2,637,601</u>
	<u><u>5,235,470</u></u>	<u><u>4,271,252</u></u>
Liabilities and Deficit		
Liabilities		
Accounts payable and accrued liabilities	1,757,228	1,633,651
Vacation pay and compensatory leave	1,815,280	1,761,201
Employee future benefits (note 6(b))	<u>5,966,654</u>	<u>5,676,940</u>
	9,539,162	9,071,792
Deficit of the Library of Parliament	<u>(4,303,692)</u>	<u>(4,800,540)</u>
	<u><u>5,235,470</u></u>	<u><u>4,271,252</u></u>

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



William R. Young
Parliamentary Librarian
Ottawa, Canada
August 3, 2011



Lynn Potter
Chief Financial Officer

LIBRARY OF PARLIAMENT

Statement of Operations

For the Year Ended March 31

(in dollars)

	<u>2011</u>	<u>2010</u>
Expenses		
Information support for Parliament	42,424,215	
Information research and analysis		24,045,415
Information resource management		11,461,638
Governance and administrative services	10,669,311	9,412,750
Public outreach		5,807,371
Total expenses	<u>53,093,526</u>	<u>50,727,174</u>
Revenues		
Information support for Parliament	828,544	
Public outreach		828,365
Governance and administrative services	1,242	1,903
Total revenues	<u>829,786</u>	<u>830,268</u>
Net cost of operations	<u><u>52,263,740</u></u>	<u><u>49,896,906</u></u>

Segmented information (note 8)

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

LIBRARY OF PARLIAMENT

Statement of Cash Flows
For the Year Ended March 31
(in dollars)

	<u>2011</u>	<u>2010</u>
Operating activities		
Net cost of operations	52,263,740	49,896,906
Non-cash items:		
Amortization of tangible capital assets	(601,520)	(590,136)
Loss on write-down of tangible capital assets	(3,711)	(90,024)
Services provided without charge by other government departments (note 7(a))	(9,904,647)	(10,063,603)
Variations in Statement of Financial Position:		
Decrease in accounts receivable and advances	(8,730)	(850,018)
Decrease in prepaid expenses		(4,485)
Increase (decrease) in inventory for resale	(18,658)	1,982
Decrease (increase) in accounts payable and accrued liabilities	(123,577)	1,452,706
Increase in vacation pay and compensatory leave	(54,079)	(129,261)
Decrease (increase) in employee future benefits	(289,714)	461,664
	<u>41,259,104</u>	<u>40,085,731</u>
Cash used in operating activities		
Capital investing activities		
Acquisitions of tangible capital assets	492,945	401,093
	<u>492,945</u>	<u>401,093</u>
Cash used in capital investment activities		
	<u>41,752,049</u>	<u>40,486,824</u>
Net cash provided from the Consolidated Revenue Fund		

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 in accordance with Canadian public sector accounting standards, utilizing the financial statement presentation recommended in Treasury Board accounting policy 1.2: Departmental and Agency Financial Statements.

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 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 from the Consolidated Revenue Fund* – 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) *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.

LIBRARY OF PARLIAMENT

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. The Library's contributions to the Plan are charged to expenses in the year incurred and represent the Library's total obligation to the Plan. Current legislation does not require the Library to make contributions for any actuarial deficiencies of the Plan.
- ii. Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. 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 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	5 - 15 years
Computer equipment	3 years
Computer software	3 years

LIBRARY OF PARLIAMENT

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 \$1,972,190 in expenditures on collections (\$2,078,845 in 2010).

(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 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

	<u>2011</u>	<u>2010</u>
	(in dollars)	
Net cost of operations	52,263,740	49,896,906
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(601,520)	(590,136)
Services provided without charge by other government departments	(9,904,647)	(10,063,603)
Increase in vacation pay and compensatory leave	(54,079)	(129,261)
Decrease (increase) in employee future benefits	(289,714)	461,664
Revenue not available for spending	7,631	17,264
Increase (decrease) in inventory for resale	(18,658)	1,982
Proceeds from disposal of capital assets	1,242	1,903
Loss on write-down of tangible capital assets	(3,711)	(90,024)
Other adjustments	28,342	297,504
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Acquisitions of tangible capital assets	492,945	401,093
Decrease in prepaid expenses		(4,485)
	<u>41,921,571</u>	<u>40,200,807</u>
Current year authorities used	<u>41,921,571</u>	<u>40,200,807</u>

(b) Authorities provided and used

	<u>2011</u>	<u>2010</u>
	(in dollars)	
Authorities Provided:		
Vote 10 - Operating expenditures	38,096,000	36,133,000
Statutory amounts	4,948,977	4,877,430
Less:		
Lapsed: Operating	(1,123,406)	(809,623)
	<u>41,921,571</u>	<u>40,200,807</u>
Current year authorities used	<u>41,921,571</u>	<u>40,200,807</u>

Notes to the Financial Statements

For the Year Ended March 31

4. Accounts receivable and advances

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

	<u>2011</u>	<u>2010</u>
	(in dollars)	
Receivables from other government departments and agencies	58,762	41,536
Receivables from external parties	121,824	147,780
Employee advances	<u>2,350</u>	<u>2,350</u>
	<u>182,936</u>	<u>191,666</u>

LIBRARY OF PARLIAMENT

Notes to the Financial Statements
For the Year Ended March 31

5. Tangible capital assets

(in dollars)

Value	Cost				Accumulated Amortization				Net book	
	Opening balance	Acquisitions	Disposals and Write offs	Closing Balance	Opening Balance	Amortization	Disposals and Write offs	Closing Balance	2011	2010
Machinery and equipment	420,269	42,123	4,192	458,200	221,183	89,009	2,775	307,417	150,783	199,086
Other equipment	1,791,486	1,176,436		2,967,922	642,179	274,641		916,820	2,051,102	1,149,307
Computer equipment	1,006,160	354,422	10,060	1,350,522	500,612	219,660	7,766	712,506	638,016	505,548
Computer software	952,500	72,691		1,025,191	547,929	199,352		747,281	277,910	404,571
Total	4,170,415	1,645,672	14,252	5,801,835	1,911,903	782,662	10,541	2,684,024	3,117,811	2,258,512

Acquisitions for the year ended March 31, 2011 include an amount of \$1,152,729 of assets transferred from Public Works and Government Services Canada (PWGSC). An amount of \$181,142 of accumulated amortization has been recorded on those assets. The net value of the transfer from PWGSC is \$971,585. Amortization expense for the year ended March 31, 2011, net of amount recorded on transfer of assets from PWGSC, is \$601,520 (2010 - \$590,136).

Notes to the Financial Statements

For the Year Ended March 31

6. 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. 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 2010-2011 expense amounts to \$3,474,182 (\$3,521,504 in 2009-2010), which represents approximately 1.9 (1.9 in 2009-2010) 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 final salary. 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>2011</u>	<u>2010</u>
	(in dollars)	
Accrued benefit obligation, beginning of year	5,676,940	6,138,604
Expense for the year	941,440	27,277
Benefits paid during the year	<u>(651,726)</u>	<u>(488,941)</u>
Accrued benefit obligation, end of year	<u>5,966,654</u>	<u>5,676,940</u>

Notes to the Financial Statements

For the Year Ended March 31

7. Related party transactions

The Library is related as a result of common ownership to all Government 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 for the provision of information technology services. During the year, the Library received 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 as follows:

	<u>2011</u>	<u>2010</u>
	(in dollars)	
Accommodation	7,697,239	7,879,466
Employer's contribution to health and dental insurance plan	<u>2,207,408</u>	<u>2,184,137</u>
Total	<u>9,904,647</u>	<u>10,063,603</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. 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.

(b) Other transactions with related parties

	<u>2011</u>	<u>2010</u>
	(in dollars)	
Accounts payable to other government departments and agencies	355,229	700,389
Expenses to other government departments and agencies	6,534,697	6,697,185

Notes to the Financial Statements

For the Year Ended March 31

(in dollars)

8. 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:

	2011			2010
	Information Support for Parliament	Governance and Administrative Services	Total	Total
Expenses				
Salaries and employee benefits	30,589,110	6,471,584	37,060,694	34,790,250
Accommodation	6,691,295	1,005,944	7,697,239	7,879,466
Professional and special services	1,410,894	1,919,069	3,329,963	2,879,498
Material, equipment and supplies	2,152,269	352,788	2,505,057	2,430,893
Communications, travel and relocation	421,698	249,829	671,527	687,266
Amortization of tangible capital assets	523,323	78,197	601,520	590,136
Cost of goods sold	427,545		427,545	417,865
Repairs and maintenance	11,319	320,039	331,358	392,286
Rentals	4,051	239,417	243,468	309,052
Information	192,711	28,733	221,444	260,438
Loss on write-down of tangible capital assets		3,711	3,711	90,024
Total expenses	42,424,215	10,669,311	53,093,526	50,727,174
Revenues				
Sales of goods and information products - External entities	777,839		777,839	779,582
Sales of goods and information products - Other Government Departments	50,705		50,705	48,783
Revenue from disposal of tangible capital assets		1,242	1,242	1,903
Total revenues	828,544	1,242	829,786	830,268
Net cost from continuing operations	41,595,671	10,668,069	52,263,740	49,896,906

Notes to the Financial Statements

For the Year Ended March 31

9. Adoption of new accounting policies

During the year, the Library adopted the Canadian public sector accounting standards utilizing the financial statement presentation recommended in Treasury Board accounting policy TBAS 1.2: Departmental and Agency Financial Statements effective for the 2010-2011 fiscal year. The major change in the accounting policies of the Library required by the adoption of the Canadian public sector accounting standards is the recording of amounts due from the Consolidated Revenue Fund as an asset on the Statement of Financial Position.

The adoption of the new accounting policies have been accounted for retroactively with the following impact on comparatives for 2009-2010:

	2010		2010
	As previously	Effect of	Restated
	stated	changes	
	(in dollars)		
Statement of Financial Position:			
Assets	2,829,267	1,441,985	4,271,252
Deficit of the Library of Parliament	(6,242,525)	1,441,985	(4,800,540)

10. 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 2010-2011

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 fiscal-year 2010-2011. As required by the Library *Policy on Internal Control*, effective November 9, 2010, for the first time, 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, 2011, including progress, results and related action plans along with some financial highlights pertinent to understanding the control environment unique to the Library.

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](#) and the Library [Business and Expenditure Plan](#).

Financial highlights

Below is key financial information for fiscal year 2010-2011. More information can be found in the Library's audited Financial Statements and Notes to the Financial Statements.

- Total expenses were \$53.1M, 70% of which is salary.
- Total revenues were \$829.8K, most of which are from Boutique sales.
- Total assets and liabilities were \$5.2M and \$9.5M respectively. Tangible capital assets comprise 60% of departmental total assets. Accounts payable and accrued liabilities comprise 18% 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 received a clean audit opinion for the last 5 years including for fiscal-year 2010-2011.

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.
- The House of Commons provides system development and maintenance support services for the information systems used in financial reporting.

1.4 Material changes in fiscal-year 2010-2011

The Library has reduced the number of Program Activity codes from four activities to two activities effective April 1, 2010. The presentation of results by Program Activity reflects this change in the 2010-2011 financial statements. The revised requirements of TBAS 1.2 effective fiscal year 2010-2011 have been reflected in the 2010-2011 Library financial statements. Previous year information has been restated to conform with the revised requirements.

Other changes in 2010-2011 relevant to the financial statements include the assessment and improvements to the Library's system of ICFR.

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.

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 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 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 Library's system of ICFR

3.1 Assessment baseline

Financial statements of the Library have been audited by KPMG for a period of 5 years. 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.

As a further step, and consistent with the Library *Policy on Internal Control*, the Library has commenced in 2010-2011 to implement 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;
- 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.

To determine the scope of the initiative for 2010-2011, a scoping and planning exercise was undertaken to identify key business processes. During this exercise, both quantitative and qualitative factors were considered. Materiality levels for financial statement accounts and for significant business units or processes were established. Other risk areas, such as susceptibility of loss due to errors or fraud, nature of account, etc. that could have an impact on the internal controls over financial reporting were also identified. Financial statement assertions and control categories were documented.

The Library then identified its key business processes and sub-processes taking into account risks and materiality relative to financial statement assertions. The key business processes identified were:

- Compensation
- Goods and Services
- Boutique
- Planning, budgeting and forecasting
- Preparation of Financial Statements
- Financial systems access security.

4. Assessment results as of March 31, 2011

In 2010-2011, for each of the key processes and related sub-processes, the Library has completed the following activities:

- Identified process owners and gathered information pertaining to existing business processes, risks and controls, including appropriate policies and procedures;
- Mapped the key business processes and identified associated risks;
- Identified key internal controls and aligned the controls with the risks;
- Developed flowcharts and risk and control matrices for each process/sub-process;
- Validated documentation with process owners;
- Completed the test of design through process walkthroughs and testing of two to three transactions per process/sub-process;
- Identified any necessary remediation plans to address any gaps or issues of design;
- 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 criteria for identifying and assessing key risks and controls 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 design effectiveness testing identified remediation requirements which have been addressed or remediation plans are in place in the following areas:

- Financial system access controls – strengthened controls related to user access and segregation of duties.
- Goods and Services – enhanced compliance to commitment authority for collections and collaborative arrangements.

5. Library's action plan

The action plan below highlights the progress that the Library will be making in completing the assessment of design and operating effectiveness of its key controls:

	<u>Completed</u>	<u>2011-2012</u>	<u>2012-2013</u>
<u>Scoping and Planning</u>	✓		

<u>Process Controls</u>	<u>Completed</u>	<u>2011-2012</u>	<u>2012-2013</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>2011-2012</u>	<u>2012-2013</u>
Documentation and identification of controls			✓
Test of design			✓
Test of operating effectiveness			✓

<u>Entity Level Controls</u>	<u>Completed</u>	<u>2011-2012</u>	<u>2012-2013</u>
Documentation and identification of controls			✓
Test of design			✓
Test of operating effectiveness			✓

<u>Monitoring</u>	<u>Completed</u>	<u>2011-2012</u>	<u>2012-2013</u>
On-going monitoring		✓	✓