Financial Statements 2010-2011

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Speaker of the House of Commons and the Speaker of the Senate

Report on the Financial Statements

I have audited the accompanying financial statements of the Office of the Commissioner of Official Languages, which comprise the statement of financial position as at 31 March 2011, and the statement of operations, statement of equity of Canada and 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditor's 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 auditor considers 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Commissioner of Official Languages as at 31 March 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

In my opinion, the transactions of the Office of the Commissioner of Official Languages that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations and the *Official Languages Act.*

John Wiersema, FCA
Interim Auditor General of Canada

25 July 2011
Ottawa, Canada

OFFICE OF THE COMMISSIONER OF OFFICIAL LANGUAGES

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements of the Office of the Commissioner of Official Languages (OCOL) for the year ended March 31, 2011 and all information contained in these statements rests with OCOL's management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector.

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 OCOL's financial transactions. Financial information submitted in the preparation of the *Public Accounts of Canada*, and included in OCOL's *Departmental Performance 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 OCOL; and through conducting an annual assessment of the effectiveness of the system of internal control over financial reporting (ICFR).

An assessment for the year ended March 31, 2011 was completed in accordance with the *Policy on Internal Control* and the results and action plans are summarized in a report available on OCOL's website.

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.

The effectiveness and adequacy of OCOL's system of internal control is reviewed by the Audit and Evaluation Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Commissioner of Official Languages.

The Office of the Auditor General, the independent auditor for the Government of Canada, has expressed an opinion on the fair presentation of the financial statements of OCOL which does not include an audit opinion on an assessment of the effectiveness of OCOL's internal controls over financial reporting.

Graham Fraser Commissioner of Official Languages	Lise Cloutier Chief Financial Officer Assistant Commissioner Corporate Management

Ottawa, Canada
July 25, 2011

OFFICE OF THE COMMISSIONER OF OFFICIAL LANGUAGES

Statement of Financial Position
As at March 31

(in dollars)	**2011**	**2010**
ASSETS		
Financial assets		
Due from the Consolidated Revenue Fund	$1,431,375	$1,513,108
Accounts receivable and advances	96,669	48,061
Total financial assets	1,528,044	1,561,169
Non-financial assets		
Prepaid expenses	7,708	-
Tangible capital assets (note 4)	1,313,119	1,677,418
Total non-financial assets	1,320,827	1,677,418
	$2,848,871	**$3,238,587**
LIABILITIES AND EQUITY OF CANADA		
Liabilities		
Accounts payable and accrued liabilities (note 5)	$1,553,693	$1,558,900
Vacation pay and compensatory leave	714,719	803,600
Employee future benefits (note 6)	3,112,185	2,913,346
Total liabilities	5,380,597	5,275,846
Equity of Canada	(2,531,726)	(2,037,259)
	$2,848,871	**$3,238,587**

Contingent liabilities (note 8)
Contractual obligations (note 9)

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

Graham Fraser
Commissioner of Official Languages

Lise Cloutier
Chief Financial Officer
Assistant Commissioner
Corporate Management

OFFICE OF THE COMMISSIONER OF OFFICIAL LANGUAGES

Statement of Operations
For the year ended March 31

(in dollars)	2011	2010
Operating Expenses		
Protection Through Compliance Assurance	$ 7,867,216	$ 7,774,060
Promotion Through Policy and Communications	7,669,677	8,566,651
Internal Services	9,397,786	8,511,445
Net Cost of Operations	**$24,934,679**	**$24,852,156**

Segmented information (note 10)

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

OFFICE OF THE COMMISSIONER OF OFFICIAL LANGUAGES

Statement of Equity of Canada
As at March 31

(in dollars)	2011	2010
Equity of Canada, beginning of year	$ (2,037,259)	$ (1,484,568)
Net cost of operations	(24,934,679)	(24,852,156)
Net cash provided by Government of Canada	21,512,903	21,724,063
Change in due from the Consolidated Revenue Fund	(81,733)	(438,901)
Services provided without charge by other government departments (note 7)	3,009,042	3,014,303
Equity of Canada, end of year	**$(2,531,726)**	**$(2,037,259)**

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

OFFICE OF THE COMMISSIONER OF OFFICIAL LANGUAGES

Statement of Cash Flows
For the year ended March 31

(in dollars)	**2011**	**2010**
Operating activities		
Net cost of operations	$24,934,679	$24,852,156
Non-cash items:		
Amortization of tangible capital assets (note 4)	(775,658)	(769,381)
Services provided without charge by other government departments (note 7)	(3,009,042)	(3,014,303)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	48,608	(192,287)
Increase (decrease) in prepaid expenses	7,708	(2,500)
Decrease (increase) in liabilities	(104,751)	568,552
Cash used in operating activities	21,101,544	21,442,237
Capital investment activities		
Acquisitions of tangible capital assets (note 4)	411,359	281,826
Cash used in capital investment activities	411,359	281,826
Net cash provided by Government of Canada	**$21,512,903**	**$21,724,063**

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

Notes to the Financial Statements
For the year ended March 31, 2011

1. Authority and Objectives

The Parliament of Canada adopted the first *Official Languages Act* in 1969. This *Act* provided that English and French would henceforth have “equality of status and equal rights and privileges as to their use in all the institutions of the Parliament and Government of Canada.”

A new *Official Languages Act* came into force in 1988 and was amended on November 25, 2005. The *Act* sets out three basic objectives of the Government of Canada:

a) ensure respect for English and French as official languages of Canada, and ensure equality of status and equal rights and privileges as to their use in all federal institutions;

b) set out the powers, duties and functions of federal institutions with respect to the official languages of Canada;

c) support the development of English and French linguistic minority communities and generally advance the equality of status and use of the English and French languages within Canadian society.

The Office of the Commissioner of Official Languages (OCOL), which serves the public from its offices in Ottawa and its five regional offices, supports the Commissioner of Official Languages in fulfilling his mandate. The mandate of the Commissioner consists of taking all necessary measures to ensure recognition of the status of each of the official languages and compliance with the letter and the spirit of the *Official Languages Act* in the administration of the affairs of federal institutions, including any of their activities relating to the advancement of English and French in Canadian society.

OCOL has three program activities which are described below:

Through the **Protection Through Compliance Assurance** activity, OCOL investigates complaints filed by citizens who believe their language rights have not been respected, evaluates compliance with the *Official Languages Act* by federal institutions and other organizations subject to the Act through performance measurements and audits, and intervenes proactively to prevent non-compliance with the Act. As well, OCOL may intervene before the courts in cases that deal with non-compliance with the Act.

Through the **Promotion Through Policy and Communications** activity, OCOL works with parliamentarians, federal institutions and other organizations subject to the *Official Languages Act*, official language communities and the Canadian public in promoting linguistic duality. OCOL builds links between federal institutions, official language communities and the different levels of government to help them better understand the needs of official language communities, the importance of bilingualism and the value of respecting Canada’s linguistic duality. In order to fulfill its promotion role, OCOL conducts research, studies and public awareness activities as well as intervenes with senior federal officials so that they instil a change in culture to fully integrate linguistic duality in their organizations.

The **Internal Services** activity involves groups of related activities and resources that are administered to support the needs of the organization’s programs and other corporate obligations. It includes Management and Oversight Services, Human Resources Management Services, Financial Management Services, Information Management Services, Information Technology Services, Real Property Services, Materiel Services, Acquisition Services, Travel Management Services and Other Administrative Services.

OCOL is named in Schedule I.1 of the *Financial Administration Act* (FAA) and is funded through annual authorities. The Commissioner of Official Languages is appointed after approval of the appointment by resolution of the Senate and the House of Commons for a seven-year term (renewable). The Commissioner reports directly to Parliament.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with the Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accounting principles, except as disclosed in Note 11 – Net Debt Indicator.

Significant accounting policies are as follows:

a) Parliamentary authorities

OCOL is funded through annual parliamentary authorities. Financial reporting of authorities provided to OCOL 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 by Government

OCOL operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by OCOL is deposited to the CRF and all cash disbursements made by OCOL are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.

c) 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 OCOL is entitled to draw from the CRF without further authorities in order to discharge its liabilities.

d) 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.

e) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of $1,000 or more are recorded at their acquisition cost. OCOL does not capitalize intangibles.

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

Asset Class	Amortization Period
Machinery and equipment	5 years
Informatics hardware	4 years
Furniture	5 years
Informatics software	3 years
Motor vehicles	7 years
Leasehold improvements	Lesser of the remaining term of the lease or the useful life of the improvement

f) Expenses

Expenses are recorded on the accrual basis.

i. Vacation pay and compensatory leave

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

Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, audit and payroll services are recorded as operating expenses at their estimated cost.

iii. Workers' compensation benefits

The Government of Canada sponsors workers' compensation benefits available across Canada. OCOL is charged for its share of the annual benefit payments incurred under this Plan. These amounts represent OCOL's contribution to the Plan and they are recorded by OCOL as an expense in the period incurred.

g) Employee future benefits

i. Pension benefits

Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. OCOL's contributions to the Plan are charged to expenses in the year incurred and represent the total pension obligation of OCOL to the Plan. Current legislation does not require OCOL to make contributions with respect to any actuarial deficiencies of the Plan.

ii. Severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts or conditions of employment. The cost of these benefits is 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.

h) Contingent liabilities

Contingent liabilities are potential liabilities, which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

i) 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 in determining the expected useful life of tangible capital assets and in determining the liability for employee severance benefits. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Authorities

OCOL receives 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, OCOL 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

	2011	2010
Net cost of operations	$24,934,679	$24,852,156
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(775,658)	(769,381)
Services provided without charge by other government departments	(3,009,042)	(3,014,303)
Refund of prior years' expenditures	7,699	2,815
Revenue not available for spending	85	40
Decrease (increase) in vacation pay and compensatory leave	88,881	(139,803)
Decrease (increase) in employee severance benefits	(198,839)	64,984
Other adjustments	10,861	10,012
	21,058,666	21,006,520
Adjustments for items not affecting net cost of operations but affecting authorities:		
Increase (decrease) in prepaid expenses	7,708	(2,500)
Acquisitions of tangible capital assets	411,359	281,826
Current year authorities used	**$21,477,733**	**$21,285,846**

b) Reconciliation of authorities provided to current year authorities used

	2011	2010
Authorities provided:		
Vote 20 – Program Expenditures	$19,821,924	$19,976,943
Statutory – Contributions to employee benefits plan	2,225,010	2,307,297
Statutory – Spending of proceeds from the disposal of surplus Crown assets	192	211
Less :		
Lapsed authorities	(569,201)	(998,394)
Authorities available for future years	(192)	(211)
Current year authorities used	**$21,477,733**	**$21,285,846**

4. Tangible Capital Assets

Cost	Opening Balance	Acquisitions	Disposals	Closing Balance
Machinery and equipment	$ 456,513	$ -	$ -	$ 456,513
Informatics hardware	3,235,985	339,253	-	3,575,238
Furniture	1,020,542	9,256	-	1,029,798
Informatics software	589,815	62,850	-	652,665
Motor vehicles	30,630	-	-	30,630
Leasehold improvements	1,407,352	-	-	1,407,352
	$6,740,837	$411,359	$ -	$7,152,196

Accumulated Amortization	Opening Balance	Amortization	Disposals	Closing Balance
Machinery and equipment	$ 376,066	$ 39,973	$ -	$ 416,039
Informatics hardware	2,496,799	429,378	-	2,926,177
Furniture	831,990	77,972	-	909,962
Informatics software	517,752	31,413	-	549,165
Motor vehicles	13,857	4,376	-	18,233
Leasehold improvements	826,955	192,546	-	1,019,501
	$5,063,419	$775,658	$ -	$5,839,077

Net Book Value	2011	2010
Machinery and equipment	$ 40,474	$ 80,447
Informatics hardware	649,061	739,186
Furniture	119,836	188,552
Informatics software	103,500	72,063
Motor vehicles	12,397	16,773
Leasehold improvements	387,851	580,397
	$1,313,119	**$1,677,418**

Amortization expense for the year ended March 31, 2011 is $ 775,658 (2010 - $ 769,381).

5. Accounts Payable and Accrued Liabilities

	2011	2010
External parties		
Accounts payable and accrued liabilities	$1,100,333	$919,744
Accrued salaries	379,351	373,685
Other government departments		
Accounts payable	74,009	265,471
	$1,553,693	**$1,558,900**

6. Employee Future Benefits

a) Pension benefits

OCOL'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 OCOL contribute to the cost of the Plan. The 2010-11 expense amounts to $1,561,957 ($1,665,868 in 2009-10), which represents approximately 1.9 times (1.9 times in 2009-10) the contributions by employees.

OCOL'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

OCOL 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, estimated as at March 31, is as follows:

	2011	**2010**
Accrued benefit obligation, beginning of year	$2,913,346	$2,978,330
Expense for the year	389,907	203,962
Benefits paid during the year	(191,068)	(268,946)
Accrued benefit obligation, end of year	**$3,112,185**	**$2,913,346**

7. Related Party Transactions

OCOL is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. OCOL enters into transactions with these entities in the normal course of business and on normal trade terms.

a) Common services provided without charge by other government departments

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

	2011	**2010**
Accommodation	$1,752,052	$1,730,473
Employer's contributions to the health and dental insurance plans	1,129,490	1,164,830
Audit services	118,000	112,000
Payroll services	9,500	7,000
Total	**$3,009,042**	**$3,014,303**

b) Other transactions with related parties

	2011	2010
Accounts receivable from other government departments	$ 90,007	$ 44,362
Accounts payable to other government departments	74,009	265,471
Expenses – Other government departments	2,730,159	2,990,391

8. Contingent Liabilities

In the normal course of its operations, OCOL may become involved in various legal actions. Some of these legal actions may result in actual liabilities when one or more future events occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, a liability is accrued and an expense recorded in the financial statements. No contingent liabilities are recognized in OCOL's financial statements for the fiscal year ended March 31, 2011.

9. Contractual Obligations

OCOL has obligations arising in the normal course of operations for future years. These obligations include equipment rental, service contracts, as well as the obligation for workers' compensation death benefits which is explained hereafter.

OCOL employees are covered by workers' compensation benefits across Canada. This plan is managed by Human Resources and Skills Development Canada (HRSDC). As plan manager, HRSDC has authority to charge to OCOL its share of the annual workers' compensation benefit payments incurred under the plan. These amounts are expensed by OCOL and charged to authorities when OCOL becomes liable to HRSDC in the year the amounts are billed.

In April 2002, the death of an employee resulted in the payment of benefits under the workers' compensation death benefit plan. The total cost is expected to be approximately $693,000, including a fee of 20% for administration costs, and is payable under the plan by OCOL to HRSDC, over the 13-year period following the death. The 2010-11 expense in relation to this claim amounts to $43,142 ($42,276 in 2009-10). It is estimated that HRSDC will bill OCOL $261,000 over the next six years.

Significant contractual obligations that can be reasonably estimated are summarized as follows:

Fiscal year	
2012	$131,550
2013	89,575
2014	58,575
2015	46,993
2016	45,262
2017	43,486
Total	**$415,441**

10. Segmented Information

Presentation by segment is based on OCOL's program activity architecture as described in note 1 and on the same accounting policies as described in note 2. The following table presents the expenses incurred for the program activities, by major object of expenses. The segment results for the period are as follows:

				2011	2010
Operating Expenses	**Protection Through Compliance Assurance**	**Promotion Through Policy and Communications**	**Internal Services**	**Total**	**Total**
Salaries and employee benefits	$6,321,214	$5,643,089	$4,877,105	$16,841,408	$17,111,022
Professional and special services	470,850	658,879	2,696,575	3,826,304	3,203,248
Accommodation	613,218	613,218	525,616	1,752,052	1,730,473
Transportation and telecommunications	150,106	261,335	497,285	908,726	1,153,910
Amortization of tangible capital assets	271,480	271,480	232,698	775,658	769,381
Repairs and maintenance	2,469	1,688	326,674	330,831	261,414
Small equipments, materials and supplies	35,113	39,004	162,381	236,498	209,993
Communications and printing	385	158,766	20,863	180,014	284,675
Rentals and other	2,381	22,218	58,589	83,188	128,040
Net Cost of Operations	$7,867,216	$7,669,677	$9,397,786	**$24,934,679**	**$24,852,156**

11. Net Debt Indicator

The presentation of the net debt indicator and a statement of change in net debt is required under Canadian generally accepted accounting principles.

Net debt is the difference between a government's liabilities and its financial assets and is meant to provide a measure of the future revenues required to pay for past transactions and events. A statement of change in net debt would show changes during the period in components such as tangible capital assets, prepaid expenses and inventories. Departments are financed by the Government of Canada through authorities and operate within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by departments is deposited to the CRF and all cash disbursements made by departments are paid by the CRF. Under this government business model, assets reflected on OCOL financial statements, with the exception of the Due from the CRF, are not available to use for the purpose of discharging the existing liabilities of OCOL. Future authorities and any respendable revenues generated by OCOL's operations would be used to discharge existing liabilities.

	2011	2010
Liabilities		
Accounts payable and accrued liabilities	$1,553,693	$1,558,900
Vacation pay and compensatory leave	714,719	803,600
Employee future benefits	3,112,185	2,913,346
Total Liabilities	$5,380,597	$5,275,846
Financial Assets		
Due from Consolidated Revenue Fund	1,431,375	1,513,108
Accounts receivable and advances	96,669	48,061
Total Financial Assets	$1,528,044	$1,561,169
Net Debt Indicator	**$3,852,553**	**$3,714,677**

12. Comparative Information

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