

Office of the Ethics Commissioner

Financial Statements

March 31, 2015

OFFICE OF THE ETHICS COMMISSIONER

FINANCIAL STATEMENTS

Year ended March 31, 2015

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Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Financial Statements

I have audited the accompanying financial statements of the Office of the Ethics Commissioner, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and 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 Ethics Commissioner as at March 31, 2015, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 26, 2015

Edmonton, Alberta

OFFICE OF THE ETHICS COMMISSIONER
STATEMENT OF OPERATIONS
Year Ended March 31, 2015

	2015		2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUE			
Other Revenue	\$ -	\$ -	\$ 37
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37</u>
EXPENSES - Directly Incurred (Note 3(b) and Schedule 2)			
Salaries, Wages and Employee Benefits	\$ 638,000	\$ 642,539	\$ 602,337
Supplies and Services	335,000	253,408	297,393
Amortization of Tangible Capital Assets	25,000	16,677	10,389
Total Expenses	<u>\$ 998,000</u>	<u>\$ 912,624</u>	<u>\$ 910,119</u>
Net Operating Results	<u>\$ (998,000)</u>	<u>\$ (912,624)</u>	<u>\$ (910,082)</u>

The accompanying notes and schedules are part of these financial statements.

OFFICE OF THE ETHICS COMMISSIONER
STATEMENT OF FINANCIAL POSITION
As at March 31, 2015

	<u>2015</u>	<u>2014</u>
Assets		
Prepaid Expenses	\$ 1,061	\$ 6,189
Tangible Capital Assets (Note 4)	<u>29,487</u>	<u>46,164</u>
	<u>\$ 30,548</u>	<u>\$ 52,353</u>
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 3,107	\$ 65,028
Accrued Vacation Pay	<u>42,385</u>	<u>53,959</u>
	<u>\$ 45,492</u>	<u>\$ 118,987</u>
Net (Liabilities)/Assets		
Net (Liabilities)/Assets at Beginning of Year	\$ (66,634)	\$ 15,235
Net Operating Results	(912,624)	(910,082)
Net Financing Provided from General Revenues	<u>964,314</u>	<u>828,213</u>
Net Liabilities at End of Year	<u>\$ (14,944)</u>	<u>\$ (66,634)</u>
	<u>\$ 30,548</u>	<u>\$ 52,353</u>

The accompanying notes and schedules are part of these consolidated financial statements.

**OFFICE OF THE ETHICS COMMISSIONER
STATEMENT OF CASH FLOWS
Year Ended March 31, 2015**

	<u>2015</u>	<u>2014</u>
Operating Transactions		
Net Operating Results	\$ (912,624)	\$ (910,082)
Non-Cash Items included in Net Operating Results:		
Amortization of Tangible Capital Assets	16,677	10,389
Valuation Adjustments	<u>(11,574)</u>	<u>7,490</u>
	(907,521)	(892,203)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(61,921)	63,990
Decrease in Prepaid Expenses	<u>5,128</u>	<u>-</u>
Cash Applied to Operating Transactions	<u>(964,314)</u>	<u>(828,213)</u>
Financing Transactions		
Net Financing Provided from General Revenues	<u>964,314</u>	<u>828,213</u>
Increase in Cash	-	-
Cash at Beginning of Year	-	-
Cash at End of Year	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes and schedules are part of these financial statements.

OFFICE OF THE ETHICS COMMISSIONER
Notes to the Financial Statements
March 31, 2015

NOTE 1 AUTHORITY

The Office of the Ethics Commissioner (the Office) operates under the authority of the *Conflicts of Interest Act* and the *Lobbyists Act*. The net cost of the operations of the Office is borne by the General Revenue Fund of the Province of Alberta. Annual operating budgets are approved by the Standing Committee on Legislative Offices.

NOTE 2 PURPOSE

The Office of the Ethics Commissioner enhances public confidence in the integrity of Members of the Legislative Assembly ("Members"), former Ministers and former political staff members, and of the public service of Alberta by providing advice and guidance to Members and senior officials regarding their private interests in relation to their public responsibilities, by conducting investigations into allegations of conflicts of interest against Members, and by promoting the understanding by Members, senior officials and the public of the obligations regarding conflict of interest contained in legislation or directive.

The Office of the Ethics Commissioner is responsible for creating and maintaining a publicly-accessible lobbyists registry; providing advice and information to lobbyists and citizens on matters covered by the *Lobbyists Act*; and conducting investigations into possible contraventions of the *Lobbyists Act* which may require payment of an administrative penalty.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Office of the Ethics Commissioner for which the Ethics Commissioner is accountable.

The Office operates within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts are deposited into the Fund and all cash disbursements made by the Office are paid from the Fund. Net Financing provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on the accrual basis of accounting.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Office has primary responsibility and accountability for, as reflected in the Office's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by Others

Services contributed by other entities in support of the Office's operations are not recognized and are disclosed in Schedule 2.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Office are limited to prepaid expenses.

Tangible capital assets of the Office are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Liabilities/Net Assets

Net Liabilities/Net Assets represents the difference between the carrying value of assets held by the Office and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Office operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Prepaid Expenses and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

(c) Financial Instruments

As the Office does not have any transactions involving financial instruments that are classified in the fair value category and has no foreign currency transactions, there are no remeasurement gains and losses and therefore a statement of remeasurement gains and losses has not been presented.

(d) Future Accounting Changes

In March 2015 the Public Sector Accounting Board issued PS 2200 – Related party disclosures and PS 3420 – Inter-entity related party transactions. These accounting standards are effective for fiscal years starting on or After April 1, 2017.

- PS 2200 – Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS 3420 – Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government’s reporting entity from both a provider and recipient perspective.

Management does not expect the implementation of these standards to have a significant impact on the financial statements.

NOTE 4 TANGIBLE CAPITAL ASSETS

	Office Equipment and Furniture	Computer Hardware and Software	Total
Estimated Useful Life	10 Years	3 Years	
Historical Cost			
Beginning of Year	\$ 28,517	\$ 218,212	\$ 246,729
Additions	-	-	-
	\$ 28,517	\$ 218,212	\$ 246,729
Accumulated Amortization			
Beginning of Year	\$ 16,586	\$ 183,979	\$ 200,565
Amortization Expense	2,238	14,439	16,677
	\$ 18,824	\$ 198,418	\$ 217,242
Net Book value at March 31, 2015	\$ 9,693	\$ 19,794	\$ 29,487
Net Book value at March 31, 2014	\$ 11,931	\$ 34,233	\$ 46,164

NOTE 5 CONTRACTUAL OBLIGATIONS

Contractual obligations are obligations of the Office to others that will become liabilities in the future when the terms of the contract or agreement are met.

As at March 31, 2015, the Office has the following contractual obligations:

	<u>2015</u>	<u>2014</u>
Obligations under Operating Leases	<u>\$ -</u>	<u>\$ 6,189</u>

NOTE 6 BENEFIT PLANS

The Office participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$76,585 for the year ended March 31, 2015 (2014 - \$54,874). The Office is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2014, the Management Employees Pension Plan reported a surplus of \$75,805,000 (2013 – surplus \$50,457,000), the Public Service Pension Plan reported a deficiency of \$803,299,000 (2013 - deficiency \$1,254,678,000), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency at December 31, 2014 \$17,203,000 (2013 – deficiency \$12,384,000).

The Office also participates a Long Term Disability Income Continuance Plans. At March 31, 2015, the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$32,343,000 (2014 – surplus \$24,055,000). The expense for this plan is limited to the employer's annual contributions for the year.

NOTE 7 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Ethics Commissioner.

**OFFICE OF THE ETHICS COMMISSIONER
 SCHEDULE TO FINANCIAL STATEMENTS
 SALARY AND BENEFITS DISCLOSURE
 Year Ended March 31, 2015**

Schedule 1

	2015			2014
	Base Salary ^(b)	Other Cash Benefits ^(c)	Other Non-Cash Benefits ^(d)	Total
Senior Official				
Ethics Commissioner ^(a)	\$ 144,193	\$ 35,814	\$ 7,497	\$ 187,504
				\$ 159,689

- (a) The position was occupied by two individuals in 2014/2015.
- (b) Base salary includes regular salary.
- (c) Other cash benefits include vehicle allowance, vacation payout and payment in lieu of pension contributions. There were no bonuses paid in 2014-15.
- (d) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of the Commissioner, including health care, health spending account, dental coverage, group life insurance, short and long term disability plans, and professional memberships. Commissioners did not contribute to the pension plans.

**OFFICE OF THE ETHICS COMMISSIONER
 SCHEDULE TO FINANCIAL STATEMENTS
 ALLOCATED COSTS
 Year Ended March 31, 2015**

Schedule 2

<u>Program</u>	<u>2015</u>			<u>2014</u>
	<u>Expenses ^(a)</u>	<u>Accommodation Costs ^(b)</u>	<u>Telephone Costs ^(c)</u>	<u>Total Expenses</u>
Operations	<u>\$ 912,624</u>	<u>\$ 66,816</u>	<u>\$ 2,358</u>	<u>\$ 981,798</u>
				<u>\$ 978,104</u>

(a) Expenses - Directly Incurred as per Statement of Operations.

(b) Costs shown for Accommodation include grants in lieu of taxes, allocated by square footage.

(c) Telephone Costs are the line charges for all phone numbers.