

APPENDIX: Financial Statements (Unaudited)

For the year ended March 31

(in dollars)

	2008				2007
	Communications	Operations	Policy Development	Total	Total
Salaries and employee benefits	646,172	2,606,282	647,776	3,900,230	4,249,846
Professional and special services	157,707	628,237	178,866	964,810	1,247,215
Accommodation	80,412	324,335	80,611	485,358	318,965
Amortization	46,945	189,349	47,062	283,356	253,897
Communications, travel and relocation	9,626	39,460	9,890	58,976	62,776
Material and supplies	9,143	35,142	8,735	53,020	25,675
Repairs and maintenance	8,022	32,353	8,041	48,416	20,359
Equipment rentals	4,265	17,204	4,276	25,745	32,522
Information	5,026	9,953	2,474	17,453	5,626
Total Expenses	967,318	3,882,315	987,731	5,837,364	6,216,881
Net Cost of Operations	(967,318)	(3,882,315)	(987,731)	(5,837,364)	(6,216,881)

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

Statement of Financial Position (Unaudited)

As at March 31
(in dollars)

	<u>2008</u>	<u>2007</u>
Assets		
Financial Assets		
Accounts receivable and advances (Note 4)	<u>57,107</u>	<u>164,364</u>
Total financial assets	57,107	164,364
Non-financial Assets		
Tangible capital assets (Note 5)	<u>379,685</u>	<u>621,656</u>
TOTAL	<u>436,792</u>	<u>786,020</u>
Liabilities		
Accounts payable and accrued liabilities	266,596	1,062,273
Vacation pay and compensatory leave	131,237	97,546
Employee severance benefits (Note 6)	<u>726,720</u>	<u>653,540</u>
Total Liabilities	1,124,553	1,813,359
Equity of Canada	<u>(687,761)</u>	<u>(1,027,339)</u>
TOTAL	<u>436,792</u>	<u>786,020</u>

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

Statement of Equity of Canada (Unaudited)

As at March 31

(in dollars)

	<u>2008</u>	<u>2007</u>
Equity of Canada, beginning of year	(1,027,339)	132,953
Net cost of operations	(5,837,364)	(6,216,881)
Current year appropriations used (Note 3)	4,852,651	5,406,375
Change in net position in the Consolidated Revenue Fund (Note 3)	635,287	(902,231)
Services provided without charge by other government departments (Note 7)	689,004	552,445
Equity of Canada, end of year	<u>(687,761)</u>	<u>(1,027,339)</u>

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

Statement of Cash Flow (Unaudited)

For the year ended March 31
(in dollars)

	<u>2008</u>	<u>2007</u>
Operating activities		
<i>Net cost of operations</i>	5,837,364	6,216,881
Non-cash items:		
Amortization of tangible capital assets	(283,356)	(253,897)
Services provided without charge by other government departments (Note 7)	(689,004)	(552,445)
	4,865,004	5,410,539
Decrease in accounts receivable and advances	(107,257)	(8,705)
Decrease (increase) in liabilities	688,806	(996,643)
Cash used by operating activities	<u>5,446,553</u>	<u>4,405,191</u>
Capital investment activities		
Acquisitions of tangible capital assets	<u>41,385</u>	<u>98,953</u>
Cash used by capital investment activities	<u>41,385</u>	<u>98,953</u>
Financing Activities		
Net cash provided by Government of Canada	<u><u>5,487,938</u></u>	<u><u>4,504,144</u></u>

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

Notes to the Financial Statements (Unaudited)

1. Authority and Objectives

These statements provide the financial information related to all the operations controlled by the Office of the Conflict of Interest and Ethics Commissioner.

The Office of the Conflict of Interest and Ethics Commissioner (the Office) began its operations on July 9, 2007, with the coming into force of the *Conflict of Interest Act*. It replaced the Office of the Ethics Commissioner and was given an expanded mandate.

The objective of the Office is to enhance confidence and trust in government and parliamentary institutions, and to assure Canadians that members of the government are held to standards that place the public interest above their private interests. The role of the Office is to administer the *Conflict of Interest Act* and the *Conflict of Interest Code for Members of the House of Commons*. The Office provides advice to public office holders and MPs on their obligations under the Act and the Code; it receives and maintains on file confidential reports of assets, liabilities and activities; it maintains a public registry for publicly declarable information; and, it conducts examinations or inquiries into alleged contraventions of the Act or Code respectively.

The Office of the Conflict of Interest and Ethics Commissioner's business is defined through three activities:

Communications - This program activity defines the strategic direction for the Office of the Conflict of Interest and Ethics Commissioner's liaison with the House of Commons, parliamentary committees, Members of Parliament and Public Office Holders, as well as external stakeholders.

Operations - This program activity is three-fold: compliance, provision of confidential advice and opinion and investigation.

Policy Development - The objective of this program activity is to develop appropriate policies and practices in order to provide sound and consistent advice to clients with respect to the application of the *Conflict of Interest Act* and the *Conflict of Interest Code for Members of the House of Commons*.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

(a) Parliamentary appropriations – The Office of the Conflict of Interest and Ethics Commissioner is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the Office do not parallel financial reporting according to generally accepted accounting principles since appropriations 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 appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

2. Summary of Significant Accounting Policies (continued)

(b) Net Cash Provided by Government – The Office of the Conflict of Interest and Ethics Commissioner operates within the Consolidated Revenue Fund (CRF) which is administered by the Receiver General for Canada. All cash received by the Office is deposited to the CRF and all cash disbursements made by the Office are paid from the CRF. Net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(c) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

(d) Expenses – Expenses are recorded on the accrual basis:

- i. Vacation pay and compensatory leave are expensed as the benefits accrue to 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.

(e) Employee future benefits

- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. The Office's contributions to the Plan are charged to expenses in the year incurred and represent the total obligation of the Office to the Plan. Current legislation does not require the Office 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.

(f) Accounts receivable and advances are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

(g) 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 on March 31.

2. Summary of Significant Accounting Policies (continued)

(h) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of \$500 or more are recorded at their acquisition cost.

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	10 years
Other equipment	10 years
Computer equipment	3 years
Computer software	3 years
Leasehold improvements	life of lease

(i) Measurement uncertainty – The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector 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 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 Appropriations

The Office of the Conflict of Interest and Ethics Commissioner receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Office of the Conflict of Interest and Ethics Commissioner 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 appropriations used

	<u>2008</u>	<u>2007</u>
Net cost of operations	5,837,364	6,216,881
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Amortization of tangible capital assets	(283,356)	(253,897)
Services provided without charge by other government departments	(689,004)	(552,445)
Decrease (increase) in vacation pay and compensatory leave	(33,691)	3,088
Increase in employee severance benefits	(73,180)	(106,205)
Adjustments to prior year payables	53,133	
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add (Less): Acquisitions of tangible capital assets	41,385	98,953
Current year appropriations used	<u>4,852,651</u>	<u>5,406,375</u>

3. Parliamentary Appropriations (continued)

(b) Appropriations provided and used

	<u>2008</u>	<u>2007</u>
Vote 15 - Operating expenditures	5,249,000	4,986,000
Statutory amounts	518,166	455,716
Less:		
Lapsed appropriations: Operating	(914,515)	(35,341)
Total appropriations used	<u>4,852,651</u>	<u>5,406,375</u>

(c) Reconciliation of net cash provided by Government to current year appropriations used

	<u>2008</u>	<u>2007</u>
Net cash provided by Government	5,487,938	4,504,144
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	107,257	8,705
Variation in accounts payable and accrued liabilities	(795,677)	893,526
Other adjustments	53,133	
	<u>(635,287)</u>	<u>902,231</u>
Current year appropriation used	<u>4,852,651</u>	<u>5,406,375</u>

4. Accounts Receivable and Advances

The following table presents details of receivables and advances

	<u>2008</u>	<u>2007</u>
Receivables from other Government departments and agencies	56,607	163,864
Employee advances	500	500
Total	<u>57,107</u>	<u>164,364</u>

5. Tangible Capital Assets

Capital Asset Class	Cost			Accumulated amortization			2008 Net Book Value	2007 Net Book Value
	Opening balance	Acquisitions	Closing Balance	Opening Balance	Amortization	Closing Balance		
Machinery & equipment	13,719	3,162	16,881	2,521	1,398	3,919	12,962	11,198
Other equipment	315,611	1,806	317,417	63,497	31,576	95,073	222,344	252,114
Computer equipment	210,514	28,036	238,550	102,194	71,636	173,830	64,720	108,320
Computer software	141,796	8,381	150,177	76,175	47,498	123,673	26,504	65,621
Leasehold Improvements	447,123		447,123	262,720	131,248	393,968	53,155	184,403
Total	1,128,763	41,385	1,170,148	507,107	283,356	790,463	379,685	621,656

Amortization expense for the year ended March 31, 2008 is \$283,356 (total for 2007 - \$253,897)

6. Employee Benefits

(a) Pension benefits: The Office of the Conflict of Interest and Ethics Commissioner'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 Office contribute to the cost of the Plan. The 2007-2008 expense amounts to \$377,743 (\$335,862 in 2006-2007), which represents approximately 2.6 times the contributions by employees.

The Office's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits: The Office of the Conflict of Interest and Ethics Commissioner 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 appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	<u>2008</u>	<u>2007</u>
Accrued benefit obligation, beginning of year	653,540	547,335
Expense for the year	73,180	117,908
Benefits paid during the year		(11,703)
	<u>726,720</u>	<u>653,540</u>
Accrued benefit obligation, end of year		

7. Related Party Transactions

The Office of the Conflict of Interest and Ethics Commissioner is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Office enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the Office received services which were provided without charge by other Government departments as presented in part (a).

(a) Services provided without charge

During the year the Office received without charge from other departments, accommodation and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the Office's Statement of Operations as follows:

	<u>2008</u>	<u>2007</u>
Accommodation	485,358	318,965
Employer's contribution to health and dental insurance plan	203,646	233,480
Total	<u>689,004</u>	<u>552,445</u>

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include translation services, payroll processing and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the Office's Statement of Operations.

(b) Payables and receivables outstanding at year-end with related parties

	<u>2008</u>	<u>2007</u>
Accounts receivable from other government departments and agencies	56,607	163,864
Accounts payable to other government departments and agencies	69,519	222,113