

VIII. APPENDIX - FINANCIAL STATEMENTS

Statement of Operations (Unaudited)

For the period ended March 31

(in dollars)

	2009			2008
	Operations	Inquiries	Total	Total
Salaries and employee benefits	3,191,624	1,183,966	4,375,590	3,900,230
Professional and special services	742,861	303,220	1,046,081	964,810
Accommodation	488,741	181,318	670,059	485,358
Amortization	93,466	34,675	128,141	283,356
Communications, travel and relocation	65,830	14,665	80,495	58,976
Material and supplies	38,288	9,060	47,348	53,020
Repairs and maintenance	34,089	9,144	43,233	48,416
Equipment rentals	19,424	7,119	26,543	25,745
Information	13,046	4,158	17,204	17,453
Loss on write-down of tangible capital assets	10,253	3,803	14,056	
Total Expenses	4,697,622	1,751,128	6,448,750	5,837,364
Net Cost of Operations	(4,697,622)	(1,751,128)	(6,448,750)	(5,837,364)

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

Statement of Financial Position (Unaudited)

As at March 31
(in dollars)

	<u>2009</u>	<u>2008</u>
Assets		
Financial Assets		
Accounts receivable and advances (Note 4)	<u>313,932</u>	<u>57,107</u>
Total financial assets	313,932	57,107
Non-financial Assets		
Tangible capital assets (Note 5)	<u>403,334</u>	<u>379,685</u>
TOTAL	<u>717,266</u>	<u>436,792</u>
Liabilities		
Accounts payable and accrued liabilities	437,301	266,596
Vacation pay and compensatory leave	143,400	131,237
Employee severance benefits (Note 6)	<u>825,830</u>	<u>726,720</u>
Total Liabilities	1,406,531	1,124,553
Equity of Canada	<u>(689,265)</u>	<u>(687,761)</u>
TOTAL	<u>717,266</u>	<u>436,792</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>2009</u>	<u>2008</u>
Equity of Canada, beginning of year	(687,761)	(1,027,339)
Net cost of operations	(6,448,750)	(5,837,364)
Current year appropriations used (Note 3)	5,451,068	4,852,651
Change in net position in the Consolidated Revenue Fund (Note 3)	79,238	635,287
Services provided without charge by other government departments (Note 7)	916,940	689,004
Equity of Canada, end of year	<u>(689,265)</u>	<u>(687,761)</u>

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

Statement of Cash Flow (Unaudited)

For the period ended March 31
(in dollars)

	<u>2009</u>	<u>2008</u>
Operating activities		
<i>Net cost of operations</i>	6,448,750	5,837,364
Non-cash items:		
Amortization of tangible capital assets	(128,141)	(283,356)
Services provided without charge from other government departments (Note 7)	(916,940)	(689,004)
Loss on write-downs of tangible capital assets	(14,056)	
	5,389,613	4,865,004
Increase (decrease) in accounts receivable and advances	256,825	(107,257)
Decrease (increase) in liabilities	(281,978)	688,806
Cash used by operating activities	<u>5,364,460</u>	<u>5,446,553</u>
 Capital investment activities		
Acquisitions of tangible capital assets	165,846	41,385
Cash used by capital investment activities	<u>165,846</u>	<u>41,385</u>
 Financing Activities		
Net cash provided by Government of Canada	<u><u>5,530,306</u></u>	<u><u>5,487,938</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 public registries 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 two activities:

Operations - This activity encompasses all the actions taken by Office employees to ensure MPs and public office holders comply with the planned measures. The operations of the Office are supported by Legal, Policy & Communications and Corporate Services. The Commissioner is required to report to Parliament annually on the Office's activities.

Inquiries - Inquiries can be undertaken on the basis of allegations made by MPs or Senators. The Commissioner may also initiate an investigation on her own authority if she deems it necessary based on the information available to her.

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.

(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.

2. Summary of Significant Accounting Policies (continued)

(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.

(h) Tangible capital assets: Change in Accounting Policy - Effective April 1, 2008, all capital assets and leasehold improvements having an initial cost of \$2,500 or more are recorded at their acquisition cost.

This reflects a change in the threshold for capitalization of capital assets from \$500 to \$2,500. The unamortized balance of capital assets with an original cost of less than \$2,500 has been written off in the current year. This is reflected by a charge to current year expenses in the amount of \$14,056, a reduction in the net book value of capital assets for the same amount and a corresponding reduction in equity of Canada.

2. Summary of Significant Accounting Policies (continued)

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>2009</u>	<u>2008</u>
Net cost of operations	6,448,750	5,837,364
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Amortization of tangible capital assets	(128,141)	(283,356)
Services provided without charge by other government departments	(916,940)	(689,004)
(Increase) in vacation pay and compensatory leave	(12,163)	(33,691)
(Increase) in employee severance benefits	(99,110)	(73,180)
Adjustments to prior year payables	6,882	53,133
Loss on write-down of tangible capital assets	(14,056)	
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add (Less): Acquisitions of tangible capital assets	165,846	41,385
Current year appropriations used	<u>5,451,068</u>	<u>4,852,651</u>

3. Parliamentary Appropriations (continued)

(b) Appropriations provided and used

	<u>2009</u>	<u>2008</u>
Vote 20 - Operating expenditures	6,566,850	5,249,000
Statutory amounts	548,121	518,166
Less:		
Lapsed appropriations: Operating	(1,663,903)	(914,515)
Total appropriations used	<u>5,451,068</u>	<u>4,852,651</u>

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

	<u>2009</u>	<u>2008</u>
Net cash provided by Government	5,530,306	5,487,938
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	(256,825)	107,257
Variation in accounts payable and accrued liabilities	170,705	(795,677)
Other adjustments	6,882	53,133
	(79,238)	(635,287)
Current year appropriation used	<u>5,451,068</u>	<u>4,852,651</u>

4. Accounts Receivable and Advances

The following table presents details of receivables and advances

	<u>2009</u>	<u>2008</u>
Receivables from other Government departments and agencies	313,432	56,607
Employee advances	500	500
Total	<u>313,932</u>	<u>57,107</u>

5. Tangible Capital Assets

Capital Asset Class	Cost				Accumulated amortization				2009 Net Book Value	2008 Net Book Value
	Opening balance	Acquisitions	Disposals and Write offs	Closing Balance	Opening Balance	Amortization	Disposals and Write offs	Closing Balance		
Machinery and equipment	16,881		3,380	13,501	3,919	1,172	850	4,241	9,260	12,962
Other equipment	317,417	45,323	8,728	354,012	95,073	31,312	1,641	124,744	229,268	222,344
Computer equipment	238,550		140,639	97,911	173,830	28,121	136,915	65,036	32,875	64,720
Computer software	150,177		111,028	39,149	123,673	11,033	110,313	24,393	14,756	26,504
Leasehold Improvements	447,123	120,523		567,646	393,968	56,503		450,471	117,175	53,155
Total	1,170,148	165,846	263,775	1,072,219	790,463	128,141	249,719	668,885	403,334	379,685

Amortization expense for the period ending March 31, 2009 is \$128,141 (total for 2008 - \$283,356)

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 2008-2009 expense amounts to \$395,743 (\$377,743 in 2007-2008), which represents approximately 2.0 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>2009</u>	<u>2008</u>
Accrued benefit obligation, beginning of year	726,720	653,540
Expense for the year	99,110	73,180
Benefits paid during the year		
	<u>825,830</u>	<u>726,720</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>2009</u>	<u>2008</u>
Accommodation	670,058	485,358
Employer's contribution to health and dental insurance plan	246,882	203,646
Total	<u>916,940</u>	<u>689,004</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 outstanding at year-end with related parties

	<u>2009</u>	<u>2008</u>
Accounts payable to other government departments and agencies	116,075	69,519