



Office of the
Conflict of Interest and
Ethics Commissioner

Commissariat aux
conflits d'intérêts et
à l'éthique

FINANCIAL STATEMENTS

MARCH 31, 2011

OFFICE OF THE CONFLICT OF INTEREST AND ETHICS COMMISSIONER

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Statement of Management Responsibility

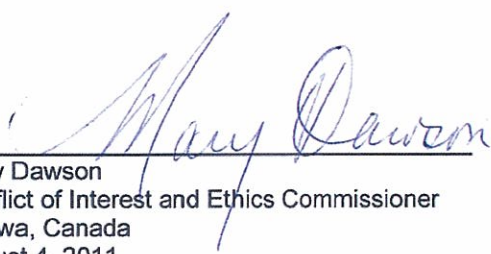
Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2011 and all information contained in these statements rests with the management of the Office of the Conflict of Interest and Ethics Commissioner (the Office). These financial statements 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 fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Office's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Commissioner's annual reports, 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 Office.

At the request of management, these financial statements have been audited by KPMG, LLP.



Mary Dawson
Conflict of Interest and Ethics Commissioner
Ottawa, Canada
August 4, 2011



Denise Benoit
Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

To the Conflict of Interest and Ethics Commissioner

We have audited the accompanying financial statements of the Office of the Conflict of Interest and Ethics Commissioner, 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 Office of the Conflict of Interest and Ethics Commissioner 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.

Comparative Information

The statements of operations, deficit and cash flows of the Office of the Conflict of Interest and Ethics Commissioner for the year ended March 31, 2010 are unaudited. Accordingly, we do not express an opinion on them.

Chartered Accountants, Licensed Public Accountants

August 4, 2011

Ottawa, Canada

OFFICE OF THE CONFLICT OF INTEREST AND ETHICS COMMISSIONER

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	80,002	137,140
Accounts receivable and advances (note 4)	<u>68,954</u>	<u>133,582</u>
Total financial assets	<u>148,956</u>	<u>270,722</u>
Non-financial assets		
Prepaid expenses	1,113	
Tangible capital assets (note 5)	<u>387,617</u>	<u>477,506</u>
Total non-financial assets	<u>388,730</u>	<u>477,506</u>
	<u>537,686</u>	<u>748,228</u>
Liabilities and Deficit		
Liabilities		
Accounts payable and accrued liabilities	148,956	270,722
Vacation pay and compensatory leave	197,722	172,898
Employee future benefits (note 6(b))	<u>872,177</u>	<u>841,402</u>
	<u>1,218,855</u>	<u>1,285,022</u>
Deficit of the Office of the Conflict of Interest and Ethics Commissioner	<u>(681,169)</u>	<u>(536,794)</u>
	<u>537,686</u>	<u>748,228</u>

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


Mary Dawson
Conflict of Interest and Ethics Commissioner
Ottawa, Canada
August 4, 2011


Denise Benoit
Chief Financial Officer

OFFICE OF THE CONFLICT OF INTEREST AND ETHICS COMMISSIONER

Statement of Operations

For the Year Ended March 31

(in dollars)

	<u>2011</u>	<u>2010</u> (unaudited)
Expenses		
Administration of Act and Code	4,436,169	4,291,859
Internal Services	2,744,440	2,286,975
Total expenses	7,180,609	6,578,834
Revenues		
Administration of Act and Code	600	700
Internal Services		62
Total revenues	600	762
Net cost of operations	7,180,009	6,578,072

Segmented information (note 8)

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

OFFICE OF THE CONFLICT OF INTEREST AND ETHICS COMMISSIONER

Statement of Deficit

For the Year Ended March 31

(in dollars)

	<u>2011</u>	<u>2010</u> (unaudited) Restated (Note 9)
Deficit of the Office of the Conflict of Interest and Ethics Commissioner, beginning of year	(536,794)	(565,896)
Net cost of operations	(7,180,009)	(6,578,072)
Net cash provided from the Consolidated Revenue Fund	6,071,663	5,461,678
Change in due from the Consolidated Revenue Fund	(57,138)	13,771
Services provided without charge by other government departments (note 7(a))	1,021,109	960,211
Transfer of assets from PWGSC		171,514
Deficit of the Office of the Conflict of Interest and Ethics Commissioner, end of year	<u>(681,169)</u>	<u>(536,794)</u>

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

OFFICE OF THE CONFLICT OF INTEREST AND ETHICS COMMISSIONER

Statement of Cash Flows

For the Year Ended March 31

(in dollars)

	<u>2011</u>	<u>2010</u> (unaudited)
Operating activities		
Net cost of operations	7,180,009	6,578,072
Non-cash items:		
Amortization of tangible capital assets	(118,765)	(163,109)
Loss on write-downs of tangible capital assets		(2,342)
Services provided without charge from other government departments (note 7(a))	(1,021,109)	(960,211)
	<u>6,040,135</u>	<u>5,452,410</u>
Variations in Statement of Financial Position:		
Decrease in accounts receivable and advances	(64,628)	(180,350)
Increase in prepaid expenses	1,113	
Decrease in accounts payable and accrued liabilities	121,766	166,579
Increase in vacation pay and compensatory leave	(24,824)	(29,498)
Increase in employee future benefits	(30,775)	(15,572)
	<u>6,042,787</u>	<u>5,393,569</u>
Cash used in operating activities	<u>6,042,787</u>	<u>5,393,569</u>
 Capital investment activities		
Acquisitions of tangible capital assets	28,876	68,109
	<u>28,876</u>	<u>68,109</u>
Cash used in capital investment activities	<u>28,876</u>	<u>68,109</u>
 Net cash provided from the Consolidated Revenue Fund	<u><u>6,071,663</u></u>	<u><u>5,461,678</u></u>

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 Office of the Conflict of Interest and Ethics Commissioner (the Office).

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 public confidence and trust in the government and parliamentary institutions, and to assure Canadians that public officials, whether appointed or elected, 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* (Act) and the *Conflict of Interest Code for Members of the House of Commons* (Code). The Commissioner provides confidential advice to public office holders (POHs) and Members of Parliament on how to comply with the Act and the Code respectively. She is also mandated to provide confidential advice to the Prime Minister on conflict of interest and ethics issues. The Commissioner conducts examinations or inquiries into alleged contraventions of the Act or Code. The Office receives and maintains on file confidential reports of assets, liabilities and activities and maintains public registries for publicly declarable information.

The Office's business is defined through two activities:

Administration of the *Conflict of Interest Act* and the *Conflict of Interest Code for Members of the House of Commons*: This encompasses all the activities of the Office, as described above.

Internal Services: This activity supports the business of the Office through internal management services and resources.

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 Office is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Office do not parallel financial reporting according to 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 Office 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. 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 Office 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.

OFFICE OF THE CONFLICT OF INTEREST AND ETHICS COMMISSIONER

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 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 their 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) 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.

(i) 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.

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

(j) 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.

OFFICE OF THE CONFLICT OF INTEREST AND ETHICS COMMISSIONER

Notes to the Financial Statements

For the Year Ended March 31

3. Parliamentary Authorities

The Office 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 Office 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	7,180,009	6,578,072
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Amortization of tangible capital assets	(118,765)	(163,109)
Services provided without charge by other government departments	(1,021,109)	(960,211)
Increase in vacation pay and compensatory leave	(24,824)	(29,498)
Revenue not available for spending	600	700
Increase in employee severance benefits	(30,775)	(15,572)
Adjustments to prior year payables	1,914	51,694
Revenue from disposal of assets		62
Loss on write-down of tangible capital assets		(2,342)
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Acquisitions of tangible capital assets	28,876	68,109
Current year authorities used	<u>6,015,926</u>	<u>5,527,905</u>

(b) Appropriations provided and used

	<u>2011</u>	<u>2010</u>
	(in dollars)	
Authorities Provided:		
Vote 15 - Operating expenditures	6,338,000	6,338,000
Statutory amounts	703,760	636,912
Less:		
Lapsed: Operating	(1,025,834)	(1,447,007)
Current year authorities used	<u>6,015,926</u>	<u>5,527,905</u>

OFFICE OF THE CONFLICT OF INTEREST AND ETHICS COMMISSIONER

Notes to the Financial Statements

For the Year Ended March 31

4. Accounts Receivable and Advances

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

	<u>2011</u>	<u>2010</u>
	(in dollars)	
Receivables from other government departments and agencies	68,454	131,169
Receivables from external parties		1,913
Employee advances	<u>500</u>	<u>500</u>
	<u>68,954</u>	<u>133,582</u>

OFFICE OF THE CONFLICT OF INTEREST AND ETHICS COMMISSIONER

Notes to the Financial Statements

For the Year Ended March 31

(in dollars)

5. Tangible Capital Assets

Cost					Accumulated Amortization				Net book value	
Capital Asset Class	Opening balance	Acquisitions	Disposals and write offs	Closing Balance	Opening Balance	Amortization	Disposals and write offs	Closing Balance	2011	2010
Machinery and equipment	13,501			13,501	5,591	1,350		6,941	6,560	7,910
Other equipment	561,034	14,624		575,658	186,078	72,351		258,429	317,229	374,956
Computer equipment	130,426	14,252	73,323	71,355	70,447	10,403	73,323	7,527	63,828	59,979
Computer software	39,149		30,768	8,381	36,588	2,561	30,768	8,381		2,561
Leasehold Improvements	120,523			120,523	88,423	32,100		120,523		32,100
Total	864,633	28,876	104,091	789,418	387,127	118,765	104,091	401,801	387,617	477,506

Amortization expense for the year ended March 31, 2011 is \$118,765 (2010 - \$163,109).

Notes to the Financial Statements

For the Year Ended March 31

6. Employee future benefits

(a) Pension benefits: The Office 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 2010-2011 expense amounts to \$494,039 (\$459,850 in 2009-2010), which represents approximately 1.9 times (1.9 in 2009-2010) 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 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	841,402	825,830
Expense for the year	174,866	15,572
Benefits paid during the year	<u>(144,091)</u>	<u> </u>
Accrued benefit obligation, end of year	<u><u>872,177</u></u>	<u><u>841,402</u></u>

Notes to the Financial Statements

For the Year Ended March 31

7. Related Party Transactions

The Office is related as a result of common ownership to all Government departments, agencies, and Crown corporations. The Office enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, the Office has an agreement with the House of Commons related to the provision of information technology services and with the Library of Parliament related to the provision of financial, procurement and asset management services. During the year, the Office received common services which were obtained without charge from other Government departments as presented in part (a) below.

(a) Services provided without charge

During the year, the Office 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 recognized in the Office's Statement of Operations as follows:

	<u>2011</u>	<u>2010</u>
	(in dollars)	
Accommodation	691,134	679,223
Employer's contribution to health and dental insurance plan	<u>329,975</u>	<u>280,988</u>
Total	<u>1,021,109</u>	<u>960,211</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 Office's Statement of Operations. In addition, the costs of maintenance, identity cards, transportation and messenger services provided by the House of Commons are also not included in the Office'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	9,758	179,723
Expenses to other government departments and agencies	1,465,239	1,420,078

OFFICE OF THE CONFLICT OF INTEREST AND ETHICS COMMISSIONER

Notes to the Financial Statements

For the Year Ended March 31

(in dollars)

8. Segmented information

Presentation by segment is based on the Office'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:

Expenses	2011			2010 (unaudited)
	Administration of Act and Code	Internal Services	Total	Total
Salaries and employee benefits	3,729,612	1,549,097	5,278,709	4,618,745
Professional and special services	106,703	791,785	898,488	849,815
Accommodation	450,005	241,129	691,134	679,223
Amortization	77,328	41,437	118,765	163,109
Communications, travel and relocation	39,968	28,683	68,651	81,507
Material and supplies	24,009	33,782	57,791	51,036
Repairs and maintenance	667	33,952	34,619	43,035
Rentals	2,460	22,174	24,634	24,285
Information	5,417	2,401	7,818	65,737
Loss on write-down of tangible capital assets				2,342
Total Expense	4,436,169	2,744,440	7,180,609	6,578,834
Revenues				
Administrative penalties	600		600	700
Disposal of assets				62
Total Revenues	600		600	762
Net cost from continuing operations	4,435,569	2,744,440	7,180,009	6,578,072

Notes to the Financial Statements

For the Year Ended March 31

9. Adoption of new accounting policies

During the year, the Office adopted the Canadian public sector accounting standards utilizing the financial statement presentation recommended in the Treasury Board policy TBAS 1.2: Departmental and Agency Financial Statements effective for 2010-2011 fiscal year. The major change in the accounting policies of the Office 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 As previously stated	Effect of changes	2010 Restated
		(in dollars)	
Statement of Financial Position:			
Assets	611,088	137,140	748,228
Deficit of the Office of the Conflict of Interest and Ethics Commissioner	(673,934)	137,140	(536,794)

10. Comparative information

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