



Financial Statements of the

Office of the Senate Ethics Officer

For the Years Ended March 31, 2008 and 2007

Office of the Senate Ethics Officer

Management's Responsibility for the Financial Statements

Responsibility for the integrity and objectivity of the accompanying financial statements for the years ended March 31, 2008 and 2007 and all information contained in this report rests with the Office of the Senate Ethics Officer.

These statements, which include amounts based on management's best estimates as determined through experience and judgement, have been prepared in accordance with Treasury Board Accounting Standards based upon Canadian generally accepted accounting principles. Readers of these statements are cautioned that the financial statements are not necessarily complete; certain assets, liabilities and expenses are only recorded at a government-wide level at this time. These statements should be read within the context of the significant accounting policies set out in the Notes.

Management has developed and maintains books, records, internal controls and management practices, designed to provide reasonable assurance that the Government's assets are safeguarded and controlled, resources are managed economically and efficiently in the attainment of corporate objectives, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as the Office of the Senate Ethics Officer policies and statutory requirements.

The financial statements of the Office of the Senate Ethics Officer for the years ended March 31, 2008 and 2007 have been audited by the firm of *van Berkomp & Ritz Chartered Accountants*.

Jean T. Fournier
Senate Ethics Officer

Nicole Proulx
Senior Financial Officer

Ottawa, Canada
April 29, 2008

van Berkom & Ritz

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To Mr. Jean T. Fournier, Senate Ethics Officer:

We have audited the statements of financial position of the Office of the Senate Ethics Officer as at March 31, 2008 and 2007 and the statements of operations, equity of Canada and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Senate Ethics Officer as at March 31, 2008 and 2007 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

VAN BERKOM & RITZ

Ottawa, Ontario
April 29, 2008

Chartered Accountants
Licensed Public Accountants

Office of the Senate Ethics Officer
Statement of Operations

For the year ended March 31,
(in dollars)

	<u>2008</u>	<u>2007</u>
OPERATING EXPENSES		
Salaries and employee benefits	687,265	890,326
Accommodation	69,326	83,738
Professional and special services	30,991	42,284
Amortization	26,672	24,514
Communication	22,880	16,954
Utilities, materials and supplies	12,391	10,809
Travel	8,602	9,271
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TOTAL COST OF OPERATIONS	<u>858,127</u>	<u>1,077,896</u>

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

Office of the Senate Ethics Officer
Statement of Financial Position

At March 31,
(in dollars)

	<u>2008</u>	<u>2007</u>
ASSETS		
Financial assets		
Accounts receivable and advances	47,561	12,997
Total financial assets	<u>47,561</u>	<u>12,997</u>
Non-financial assets		
Tangible capital assets (Note 4)	61,008	85,305
Total non-financial assets	<u>61,008</u>	<u>85,305</u>
TOTAL	<u>108,569</u>	<u>98,302</u>
LIABILITIES		
Accounts payable and accrued liabilities	81,970	150,602
Vacation pay and compensatory leave	36,164	58,045
Employee severance benefits (Note 5)	133,489	246,377
	<u>251,623</u>	<u>455,024</u>
EQUITY OF CANADA	<u>(143,054)</u>	<u>(356,722)</u>
TOTAL	<u>108,569</u>	<u>98,302</u>

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

Office of the Senate Ethics Officer
Statement of Equity of Canada

For the year ended March 31,
(in dollars)

	<u>2008</u>	<u>2007</u>
EQUITY OF CANADA, BEGINNING OF YEAR	(356,722)	(195,111)
Total cost of operations	(858,127)	(1,077,896)
Services provided without charge from other government departments (Note 6)	99,587	132,869
Current year appropriations used (Note 3)	972,208	783,416
EQUITY OF CANADA, END OF YEAR	<u>(143,054)</u>	<u>(356,722)</u>

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

Office of the Senate Ethics Officer
Statement of Cash Flows

For the year ended March 31,
(in dollars)

	<u>2008</u>	<u>2007</u>
Operating activities		
Total cost of operations	858,127	1,077,896
Non-cash items		
Amortization of tangible capital assets	(26,672)	(24,514)
Services provided without charge from other government departments	(99,587)	(132,869)
Variation in Statement of Financial Position:		
Increase in accounts receivables and advances	34,564	12,997
Decrease (increase) accounts payable and accrued liabilities	68,632	(115,083)
Decrease (increase) in vacation pay and compensatory leave	21,881	(32,148)
Decrease (increase) in employee severance benefits	112,888	(16,494)
	<u>969,833</u>	<u>769,785</u>
Cash used by operating activities	969,833	769,785
Capital investment activities		
Acquisition of tangible capital assets	2,375	13,631
Financing activities		
Net cash provided by Government of Canada	<u>(972,208)</u>	<u>(783,416)</u>

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

Office of the Senate Ethics Officer

Notes to the Financial Statements

For the year ended March 31, 2008

1. Authority and Objectives

The Office of the Senate Ethics Officer (the Office) was created by an *Act to amend the Parliament of Canada Act and other Acts in consequence*. The mandate is to administer and interpret the Conflict of Interest Code for Senators which was adopted by the Senate on May 18, 2005.

The Senate Ethics Officer's mandate involves five major areas: opinions and advice, disclosure, inquires, communication and information and administration of the office.

For the purposes of these financial statements, all activities mentioned above are included in the activities of the Office of the Senate Ethics Officer.

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 Senate Ethics Officer is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the Office do not parallel financial reporting according to Canadian 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 of Canada** - The Office of the Senate Ethics Officer operates within the Consolidated Revenue Fund (CRF). The CRF is administered by the Receiver General for Canada. All cash receipts are 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) 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.

Office of the Senate Ethics Officer

Notes to the Financial Statements

For the year ended March 31, 2008

(d) Employee future benefits –

- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan which is 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. Actuarial surpluses or deficiencies are not recorded in the Office of the Senate Ethics Officer's books but are recognized in the consolidated financial statements of the Government of Canada.
- 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.

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

(f) **Tangible capital assets** – All tangible capital assets having an initial cost of \$2,000 or more are recorded at their acquisition cost. The Office of the Senate Ethics Officer amortizes capital assets on a straight-line basis over the estimated useful life of the capital asset as follows:

Asset Class	Amortization Period
Computer software	5 years
Informatics hardware	3 years
Other equipment and furniture	5 years

(g) **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 in the financial statements. At the time of preparation of these financial 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 Senate Ethics Officer 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 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:

Office of the Senate Ethics Officer

Notes to the Financial Statements

For the year ended March 31, 2008

a) Reconciliation of net cost of operations to current year appropriations used:

	2008	2007
	(in dollars)	
Total cost of operations	858,127	1,077,896
Adjustments for items affecting total cost of operations but not affecting appropriations		
Add (Less):		
Amortization of tangible capital assets	(26,672)	(24,514)
Services provided without charge from other government departments	(99,587)	(132,869)
Sub-Total	731,868	920,513
Adjustment for items not affecting total cost of operations but affecting appropriations		
Add (Less):		
Increase in accounts receivables and advances	34,564	12,997
Acquisitions of tangible capital assets	2,375	13,631
Decrease (increase) in accounts payable and accrued liabilities	68,632	(115,083)
Decrease (increase) in vacation pay and compensatory leave	21,881	(32,148)
Decrease (increase) in employee severance benefits	112,888	(16,494)
Sub-Total	240,340	(137,097)
Current year appropriations used	972,208	783,416

b) Appropriations provided and used:

	2008	2007
	(in dollars)	
Vote 20 – Operating expenditures	828,000	827,560
Statutory amounts to employee benefits plans	79,975	104,743
	907,975	932,303
Less: Lapsed appropriations: Operating	(25,308)	(76,612)
	882,667	855,691
Add (Less): Variation in accrued expenditures	89,541	(72,275)
Current year appropriations used	972,208	783,416

Office of the Senate Ethics Officer

Notes to the Financial Statements

For the year ended March 31, 2008

4. Tangible Capital Assets

	Cost			Accumulated Amortization			Net Book Value	
	Opening balance	Aquisitions	Closing balance	Opening balance	Amortization	Closing balance	2008	2007
							(in dollars)	
Computer software	49,500	-	49,500	14,108	9,900	24,008	25,492	35,392
Informatics hardware	16,391	2,375	18,766	6,202	5,860	12,062	6,704	10,189
Other equipment and furniture	54,562	-	54,562	14,838	10,912	25,750	28,812	39,724
Total	120,453	2,375	122,828	35,148	26,672	61,820	61,008	85,305

5. Employee Benefits

- (a) Pension benefits: The Office of the Senate Ethics Officer'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/Quebec Pension Plan benefits and they are indexed to inflation.

Both the employees and the Office contribute to the cost of the Public Service Pension Plan. The 2007-2008 expense amounts to \$58,302 while the expense for 2006-2007 was \$86,897. The expense represents approximately 2.6 times the contributions by employees.

The Office's responsibility with regards 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 Senate Ethics Officer 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:

	2008	2007
	(in dollars)	
Accrued benefit obligation, beginning of year	246,377	229,883
Benefits paid in year	(123,428)	-
Expense for the year	10,540	16,494
Accrued benefit obligation, end of year	133,489	246,377

Office of the Senate Ethics Officer

Notes to the Financial Statements

For the year ended March 31, 2008

6. Related party transactions

The Office is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. 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 payroll 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. There are other types of services that are considered to be part of the normal course of operations because they are not consistently provided without charge to all departments. These services include accommodation and certain employee benefits. The costs of these services have been included as expenses in the Office's Statement of Operations in the following amounts:

	<u>2008</u>	<u>2007</u>
Services provided without charge:	(in dollars)	
Accommodation	69,326	83,738
Employer's contribution to the health insurance plan and dental insurance plan	<u>30,261</u>	<u>49,131</u>
Total	<u>99,587</u>	<u>132,869</u>

The Senate of Canada provides services to, and purchases goods and services on behalf of the Office of the Senate Ethics Officer. The costs of these goods and services are included in these financial statements.

The following table discloses amounts in accounts receivable and accounts payable with other government departments and agencies:

	<u>2008</u>	<u>2007</u>
Accounts receivable	46,491	11,959
Accounts payable	11,941	77,415

7. Equity of Canada

The Equity of Canada, which is currently in a deficit position, represents liabilities incurred by the Office, net of capital tangible assets, which have not yet been funded through appropriations. Significant components of this amount are employee severance benefits and vacation pay liabilities. These amounts are expected to be funded by appropriations in future years as they are paid.

8. Comparative Figures

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.