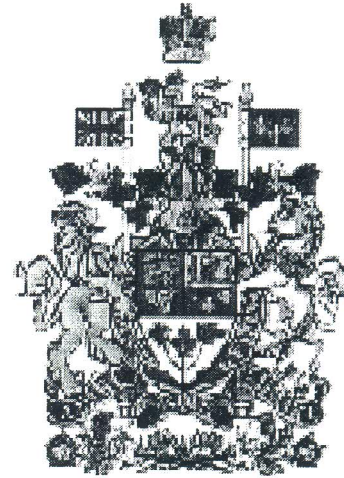


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Financial Statements

**Office of the Senate  
Ethics Officer**

March 31, 2011



**Financial Statements of the**

# **Office of the Senate Ethics Officer**

For the Year Ended March 31, 2011

# Office of the Senate Ethics Officer

## Management's Responsibility for the Financial Statements

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### Statement of Management Responsibility

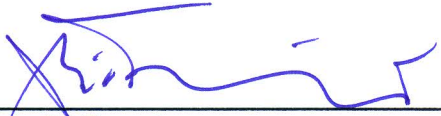
Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2011 and all information contained in these statements rests with the management of the Office of the Senate Ethics Officer (Office). These financial statements have been prepared by management and are based on Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector.

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 fulfill 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 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 prescribed regulations and within Parliamentary authorities.

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.

The financial statements of the Office of the Senate Ethics Officer for the year ended March 31, 2011 has been audited by the firm of *van Berkomp & Ritz Chartered Accountants*.



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Jean T. Fournier  
Senate Ethics Officer



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Nicole Proulx  
Chief Financial Officer

Ottawa, Canada  
May 5, 2011

## INDEPENDENT AUDITORS' REPORT

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

We have audited the statement of financial position of the Office of the Senate Ethics Officer as at March 31, 2011 and the statements of operations, equity of Canada and cash flows for the year 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 audit.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for the public sector 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 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.

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 Senate Ethics Officer as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Ottawa, Ontario  
May 5, 2011

  
Chartered Accountants  
Licensed Public Accountants

**Office of the Senate Ethics Officer**  
Statement of Operations

For the year ended March 31,  
(in dollars)

	<u>2011</u>	<u>2010</u>
<b>OPERATING EXPENSES</b>		
Salaries and employee benefits	732,742	737,277
Accommodation	72,000	73,800
Professional and special services	27,602	37,040
Amortization	12,680	21,261
Printing and communication	30,086	21,496
Utilities, materials and supplies	6,113	6,477
Travel	4,551	15,667
	<hr/>	<hr/>
<b>TOTAL COST OF OPERATIONS</b>	<b>885,774</b>	<b>913,018</b>

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)*

	<b>2011</b>	<b>2010</b> <b>(Restated – Note 8)</b>
<b>ASSETS</b>		
Financial assets		
Due from Consolidated Revenue Fund	61,987	70,916
Accounts receivable and advances	9,750	2,763
Total financial assets	<u>71,737</u>	<u>73,679</u>
Non-financial assets		
Tangible capital assets (Note 4)	5,618	12,680
Total non-financial assets	<u>5,618</u>	<u>12,680</u>
<b>TOTAL</b>	<b><u>77,355</u></b>	<b><u>86,359</u></b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	71,438	73,504
Vacation pay and compensatory leave	25,562	25,721
Employee future benefits (Note 5)	163,849	155,509
	<u>260,849</u>	<u>254,734</u>
<b>EQUITY OF CANADA</b>	<u>(183,494)</u>	<u>(168,375)</u>
<b>TOTAL</b>	<b><u>77,355</u></b>	<b><u>86,359</u></b>

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)

	<b>2011</b>	<b>2010</b> <b>(Restated -</b> <b>Note 8)</b>
<b>EQUITY OF CANADA, BEGINNING OF YEAR</b>	(168,375)	(142,533)
Total cost of operations	(885,774)	(913,018)
Net cash provided from the Consolidated Revenue Fund (Note 3)	768,826	777,370
Change in due from the Consolidated Revenue Fund	(8,929)	(3,465)
Services provided without charge from other government departments (Note 6)	110,758	113,271
<b>EQUITY OF CANADA, END OF YEAR</b>	<u>(183,494)</u>	<u>(168,375)</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>2011</u>	<u>2010</u>
<b>Operating activities</b>		
Total cost of operations	885,774	913,018
Non-cash items		
Amortization of tangible capital assets	(12,680)	(21,261)
Services provided without charge from other government departments	(110,758)	(113,271)
Variation in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	6,987	(14,998)
Decrease in accounts payable and accrued liabilities	2,066	18,211
Decrease in vacation pay and compensatory leave	159	3,823
Increase in employee future benefits	(8,340)	(8,152)
Cash used in operating activities	<u>763,208</u>	<u>777,370</u>
<b>Capital investment activities</b>		
Acquisition of tangible capital assets	<u>5,618</u>	<u>-</u>
Net cash provided from the Consolidated Revenue Fund	<u>(768,826)</u>	<u>(777,370)</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, 2011

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**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 purpose 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**

These financial statements have been prepared in accordance with Treasury Board accounting policies stated below, which are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

- (a) Parliamentary authorities** – The Office of the Senate Ethics Officer 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 Canadian 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 of the Senate Ethics Officer 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 Consolidated Revenue Fund is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government of Canada.
- (c) Amounts due from the Consolidated Revenue Fund (CRF)** – The 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 authorities to discharge its liabilities.
- (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.

## Office of the Senate Ethics Officer

### Notes to the Financial Statements

For the year ended March 31, 2011

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- 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 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.

**(f) Accounts receivable and advances** - 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) 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:

<b>Asset Class</b>	<b>Amortization Period</b>
Computer software	5 years
Informatics hardware	3 years
Other equipment and furniture	5 years

**(h) 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 financial statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are 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.

### 3. Parliamentary Authorities

The Office of the Senate Ethics Officer 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:

**Office of the Senate Ethics Officer**  
Notes to the Financial Statements

For the year ended March 31, 2011

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

	<b>2011</b>	<b>2010</b>
	(in dollars)	
<b>Total cost of operations</b>	885,774	913,018
Adjustments for items affecting total cost of operations but not affecting authorities:		
Add (Less):		
Amortization of tangible capital assets	(12,680)	(21,261)
Services provided without charge from other government departments	(110,758)	(113,271)
Increase (decrease) in accounts receivable and advances	6,987	(14,998)
Decrease in accounts payable and accrued liabilities	2,066	18,211
Decrease in vacation pay and compensatory leave	159	3,823
Increase in employee future benefits	(8,340)	(8,152)
Sub-Total	(122,566)	(135,648)
Adjustment for items not affecting total cost of operations but affecting authorities:		
Add (Less):		
Acquisitions of tangible capital assets	5,618	-
<b>Current year authorities used</b>	<u>768,826</u>	<u>777,370</u>

b) Authorities provided and used:

	<b>2011</b>	<b>2010</b>
	(in dollars)	
Vote 20c – Operating expenditures	719,500	754,340
Statutory amounts to employee benefits plans	96,964	99,222
	<u>816,464</u>	<u>853,562</u>
Less: Lapsed authorities: Operating	(40,558)	(68,862)
	<u>775,906</u>	<u>784,700</u>
Less: Variation in recording of accruals	(7,080)	(7,330)
<b>Current year authorities used</b>	<u>768,826</u>	<u>777,370</u>

**Office of the Senate Ethics Officer**  
Notes to the Financial Statements

For the year ended March 31, 2011

**4. Tangible Capital Assets**

	Cost				Accumulated Amortization				Net Book Value	
	Opening balance	Aquisitions	Disposals and write-offs	Closing balance	Opening balance	Amortization	Disposals and write-offs	Closing balance	2011	2010
									(in dollars)	
Computer software	49,500	-	-	49,500	43,808	5,692	-	49,500	-	5,692
Informatics hardware	18,766	5,618	5,134	19,250	18,766	-	5,134	13,632	5,618	-
Other equipment and furniture	54,562	-	-	54,562	47,574	6,988	-	54,562	-	6,988
<b>Total</b>	<b>122,828</b>	<b>5,618</b>	<b>5,134</b>	<b>123,312</b>	<b>110,148</b>	<b>12,680</b>	<b>5,134</b>	<b>117,694</b>	<b>5,618</b>	<b>12,680</b>

**5. Employee Future 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 2010-2011 expense amounts to \$68,069 (2009-2010 - \$71,638), which represents approximately 1.9 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 authorities. Information about the severance benefits, measured as at March 31, is as follows:

	2011	2010
	(in dollars)	
Accrued benefit obligation, beginning of year	155,509	147,357
Benefits paid in year	-	-
Expense for the year	8,340	8,152
Accrued benefit obligation, end of year	163,849	155,509

## Office of the Senate Ethics Officer

### Notes to the Financial Statements

For the year ended March 31, 2011

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#### 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 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 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>2011</u>	<u>2010</u>
Services provided without charge:	(in dollars)	
Accommodation	72,000	73,800
Employer's contribution to the health insurance and dental insurance plans	<u>38,758</u>	<u>39,471</u>
Total	<u>110,758</u>	<u>113,271</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 cost of services provided by The Senate of Canada to the Office were \$17,360 (2009-2010 - \$12,688).

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

	<u>2011</u>	<u>2010</u>
	(in dollars)	
Accounts receivable	8,997	2,481
Accounts payable	17,715	10,862

#### 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 authorities. Significant components of this amount are employee future benefits and vacation pay liabilities. These amounts are expected to be funded by authorities in future years as they are paid.

**Office of the Senate Ethics Officer**  
Notes to the Financial Statements

For the year ended March 31, 2011

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**8. Adoption of new accounting policies**

During the year, the Office adopted the revised Treasury Board accounting policy TBAS 1.2: Departmental and Agency Financial Statements which is effective for the Office for the 2010-2011 fiscal year. The major change in the accounting policies of the Office required by the adoption of the revised TBAS 1.2 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 Treasury Board accounting policies have been accounted for retroactively with the following impact on the comparatives for 2009-2010:

<i>(in dollars)</i>	2010 <u>As previously stated</u>	<u>Effect of changes</u>	2010 <u>Restated</u>
<u>Statement of Financial Position:</u>			
Assets	15,443	70,916	86,359
Equity of Canada	(239,291)	70,916	(168,375)

**9. Comparative Figures**

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