Office of the
Senate Ethics Officer
Bureau du
conseiller sénatorial
en éthique

Financial Statements of

OFFICE OF THE SENATE ETHICS OFFICER

Year ended March 31, 2023

August 2023

OFFICE OF THE SENATE ETHICS OFFICER

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Year ended March 31, 2023

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2023, and all information contained in these financial statements rests with the management of the Office of the Senate Ethics Officer. These financial statements have been prepared based on 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 fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the financial transactions of the Office of the Senate Ethics Officer.

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 of the Senate Ethics Officer.

These financial statements have been audited by KPMG LLP, the independent auditors of the Office of the Senate Ethics Officer.

M^{e} Pierre Legault Senate Ethics Officer and Chief Financial Officer	Nathalie Charpentier, CPA Deputy Chief Financial Officer

August 24, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Senate Ethics Officer of the Office of the Senate Ethics Officer

Opinion

We have audited the financial statements of the Office of the Senate Ethics Officer (the Entity), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations and net financial position for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

August 24, 2023

OFFICE OF THE SENATE ETHICS OFFICER

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Due from the Consolidated Revenue Fund	$ 123,141	$ 102,550
Accounts receivable and advances (note 6)	36,209	26,046
Total financial assets	159,350	128,596
Financial liabilities:		
Accounts payable and accrued liabilities (note 7)	154,445	123,691
Vacation pay and compensatory leave	23,941	25,203
Total financial liabilities	178,386	148,894
Net debt	(19,036)	(20,298)
Non-financial assets:		
Tangible capital assets (note 8)	50,153	14,842
Total non-financial assets	50,153	14,842
Net financial position	$ 31,117	$ (5,456)

See accompanying notes to financial statements.

OFFICE OF THE SENATE ETHICS OFFICER

Statement of Operations and Net Financial Position

Year ended March 31, 2023, with comparative information for 2022

	Budget 2023	Actual 2023	Actual 2022
Government funding:			
Net cash provided by the Government of Canada		$ 931,570	$ 891,608
Change in due from the Consolidated Revenue Fund		20,591	30,197
Services provided without charge from other federal government departments (note 5(a))		186,725	193,613
		1,138,886	1,115,418
Cost of operations:			
Salaries and employee benefits	$ 999,347	832,020	888,756
Professional and special services	350,000	116,773	67,575
Accommodation	124,256	124,256	124,256
Utilities, materials and supplies	7,500	5,603	3,025
Rentals, repairs and maintenance	12,000	1,121	3,981
Printing and communication	15,000	5,865	4,841
Travel	19,000	13,394	–
Acquisition of machinery and equipment	6,000	702	536
Amortization of tangible capital assets	2,579	2,579	2,886
	1,535,682	1,102,313	1,095,856
Net cost of operations after government funding		36,573	19,562
Net financial position, beginning of year		(5,456)	(25,018)
Net financial position, end of year		$ 31,117	$ (5,456)

See accompanying notes to financial statements.

OFFICE OF THE SENATE ETHICS OFFICER

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

		2023		2022
Cash provided by (used in):				
Operating activities:				
Net cost of operations	$	(1,102,313)	$	(1,095,856)
Items not affecting cash:				
Amortization on tangible capital assets		2,579		2,886
Services provided without charge from federal government departments		186,725		193,613
Changes in non-cash operating working capital items:				
Increase in accounts receivable and advances		(10,163)		(10,842)
Increase in accounts payable and accrued liabilities		30,754		41,039
Decrease in vacation pay and compensatory leave		(1,262)		(17,922)
		(893,680)		(887,082)
Investing activities:				
Acquisition of tangible capital assets		(37,890)		(4,526)
Net cash provided by the Government	$	(931,570)	$	(891,608)

See accompanying notes to financial statements.

1. Authority and objectives:

The Office of the Senate Ethics Officer (the "Office") was created by the Parliament of Canada Act and other Acts in consequence. The mandate is to administer and interpret the Ethics and Conflict of Interest Code for Senators, which was adopted by the Senate on May 18, 2005, and amended in 2008, 2012, 2014 and 2021.

The Senate Ethics Officer's mandate involves five major areas: opinions and advice, annual disclosure process, inquiries, 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.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(a) Parliamentary authorities:

The Office is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Office does not parallel financial reporting according to Canadian public sector accounting standards since authorities are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and net financial position 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 by 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 all Government of Canada.

(c) Amount due from the Consolidated Revenue Fund:

The amount due from the CRF is the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. The amount due from the CRF represents the net amount of cash that the Office is entitled to draw by the CRF without further authorities to discharge its liabilities.

(d) 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.

2. Significant accounting policies (continued):

(e) Expenses:

Expenses are recorded on the accrual basis:

(i) Vacation pay and compensatory leave are expensed as the benefits accrued to employees under their respective terms of employment;

(ii) Services provided without charge by federal 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.

(f) Employee future benefits:

Eligible employees participate in the Public Service Pension Plan (the "Plan"), which is sponsored and administered by the Government of Canada. Assets and liabilities for pension benefits are not included in the Office's statement of financial position, as this is the responsibility of the Government of Canada. The Office's contributions to the Plan are charged to salaries and employee benefits 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 an actuarial deficiency of the Plan. Actuarial surpluses or deficiencies are not recorded in the Office's books as they are recognized in the consolidated financial statements of the Government of Canada.

(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 amortizes capital assets on a straight-line basis over the estimated useful life of the capital asset as follows:

Asset	Useful life
Computer hardware	3 years
Leasehold improvements	Over the term of the lease

(h) Use of estimates:

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities 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 estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

2. Significant accounting policies (continued):

(i) Financial instruments:

Financial instruments are recorded at fair value recognition, and are subsequently recorded at cost or amortized cost unless management has elected to carry the instrument at fair value. Management has not elected to record any financial instrument at fair value.

A statement of remeasurement gains and losses is not presented in these financial statements as the Office does not have financial instruments requiring remeasurement.

(j) Foreign currency translation:

Transactions involving currencies are converted into Canadian dollar equivalents using rates of exchange in effect at the time of the transactions.

(k) Adoption of new accounting standards:

The Office has adopted the following new public sector accounting standards in the year:

I. PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation:

On April 1, 2022, the Office adopted Public Sector Accounting Standards PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation. These standards were adopted prospectively from the date of adoption. These new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

The implementation of these standards did not require the Office to reflect any adjustments in these financial statements other than the additional disclosure of the financial risks provided in note 11.

II. PS 3280 – Asset Retirement Obligations:

On April 1, 2022, the Office adopted Public Sector Accounting Standards PS 3280 – Asset Retirement Obligations. This new accounting standards addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets by public sector entities. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised yearly.

The implementation of these standards did not require the Office to reflect any adjustments in these financial statements as the Office does not have any significant legal obligations with respect to retirement of its tangible capital assets.

3. Parliamentary authorities:

The Office receives most of its funding through annual Parliamentary authorities. Items recognized in the statement of operations and net financial position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the net results of the Office differ depending on whether they are presented using the government funding basis or an accrual basis. The differences are reconciled if the following tables:

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

	2023	2022
Total expenses and net cost of operations	$ 1,102,313	$ 1,095,856
Adjustments for items affecting net cost of operations but not affecting authorities:		
Deduct services provided without charge from federal government departments	(186,725)	(193,613)
Increase in accounts receivable and advances	10,163	10,842
Increase in accounts payable and accrued liabilities	(30,754)	(41,039)
Decrease in vacation pay and compensatory leave	1,262	17,922
Amortization of tangible capital assets	(2,579)	(2,886)
	893,680	887,082
Adjustments for items not affecting total cost of operations but affecting authorities:		
Purchase of tangible capital assets	37,890	4,526
Current year authorities used	$ 931,570	$ 891,608

(b) Authorities provided and used:

	2023	2022
Vote 20 - Operating expenditures	$ 1,278,498	$ 1,231,278
Statutory amounts to employee benefits plans	130,350	121,623
	1,408,848	1,352,901
Less lapsed authorities - operating	(477,278)	(461,293)
Current year authorities used	$ 931,570	$ 891,608

4. Employee future benefits:

The Office's employees participate in the 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% 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 Public Service Pension Plan. The 2023 expense amounts to $62,469 (2022 - $69,357), which represents approximately 1.4 times (2022 - 1.4 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.

5. 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 Services and Procurement Canada are not included in the Office's statement of operations and net financial position.

(a) Common services provided without charge by federal government departments:

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 in the Office's statement of operations and net financial position in the following amounts:

	2023	2022
Accommodation	$ 124,256	$ 124,256
Employer's contributions to the health and dental insurance plans	62,469	69,357
	$ 186,725	$ 193,613

5. Related party transactions (continued):

(b) Other transactions with related parties:

The Senate of Canada provides services (on a cost-recovery basis) and purchases goods and services on behalf of the Office. 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 was $26,482 (2022 - $32,082).

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

	2023	2022
Accounts receivable	$ 35,362	$ 25,685
Accounts payable	28,995	204

6. Accounts receivable and advances:

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

	2023	2022
Accounts receivable - other government departments and agencies	$ 35,362	$ 25,685
Advances	847	361
	$ 36,209	$ 26,046

7. Accounts payable and accrued liabilities:

The following table presents details of the Office's accounts payable and accrued liabilities:

	2023	2022
Accounts payable - other government departments and agencies	$ 28,995	$ 204
Accounts payable - external parties	14,225	9,836
	43,220	10,040
Accrued liabilities	111,225	113,651
	$ 154,445	$ 123,691

8. Tangible capital assets:

Tangible capital assets consist of the following:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Computer software	$ 17,895	$ 10,158	$ 7,737	$ 10,316
Work in Progress	42,416	–	42,416	4,526
	$ 60,311	$ 10,158	$ 50,153	$ 14,842

At March 31, 2022, cost and accumulated amortization amounted to $40,639 and $25,797, respectively.

9. Contractual obligations:

The Office has multi-year leases for its premises with Public Services and Procurement Canada. These leases are provided without charge to the Office. The estimated future leases are as follows:

2024	$ 124,256
2025	124,256
2026	124,256
Thereafter	818,019
	$ 1,190,787

10. Statement of changes in net debt:

A statement of changes in net debt has not been included in these financial statements as it would not provide additional useful information.

11. Financial risks:

The Office is subject to the following financial risks from its financial instruments:

a) Credit risk:

Credit risk refers to the risk that the counterparty to a financial instrument will cause a financial loss to the Office by falling to discharge an obligation. The Office is exposed to credit risk relating to its accounts receivable and advances disclosed in note 6, which are due mostly from federal government departments, agencies and Crown corporations and external parties. Management believes that these balances do not have significant credit risk in excess for doubtful accounts that have been provided.

b) Liquidity risk:

Liquidity risk refers to the risk that the Office will encounter difficulty in meeting its obligations associated with its financial liabilities. The Office receives annual Parliamentary authorities. The authorities, as disclosed in note 3(b).

c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises there types of risk: currency risk, interest risk, and other price risk. The Office's financial instruments are not subject to significant market risk as it does not hold investments, debt or foreign currency.

The Office's financial risks, and the process to manage these risks, have not changed significantly from the prior year.