



PROVINCE OF ALBERTA

**OFFICE OF THE
ETHICS COMMISSIONER**

ANNUAL REPORT 2001-2002

ABOUT THE OFFICE OF THE ETHICS COMMISSIONER

The Office of the Ethics Commissioner exists as a result of and operates under the *Conflicts of Interest Act* (Chapter C-23 of the Revised Statutes of Alberta 2000).

The Ethics Commissioner is an Officer of the Legislative Assembly. The Ethics Commissioner is appointed by Order-in-Council following passage of a motion in the Legislative Assembly approving the appointment. The motion follows a report and recommendation from the all-party Standing Committee on Legislative Offices.

The Ethics Commissioner reports to the Legislative Assembly through the Speaker with respect to annual reports, investigation reports, and matters relating to the Ethics Commissioner's jurisdiction or authority under the *Conflicts of Interest Act*, with the exception of administrative matters. The Ethics Commissioner presents budgetary estimates through the Standing Committee. The Legislative Assembly approves the budget for the Office of the Ethics Commissioner.

Upon receiving a report from the Ethics Commissioner, the Speaker is required to make the report public. If the Legislature is in session, the report is tabled at that time in the Legislature. If the Legislature is not in session, the report is released publicly and tabled when the Legislature next sits. (Reference: section 28 of the *Conflicts of Interest Act*.)

Under the *Conflicts of Interest Act*, the Legislative Assembly shall deal with an investigation report by the Ethics Commissioner within 60 days after the tabling of the report, or such other period determined by a resolution of the Legislative Assembly.

Under section 29 of the *Conflicts of Interest Act*, the Legislative Assembly may accept or reject the findings of the Ethics Commissioner or substitute its own findings and may if it determines that there is a breach

- (a) impose the sanction recommended by the Ethics Commissioner or any other sanction referred to in section 27(2) it considers appropriate, or
- (b) impose no sanction.

The Ethics Commissioner reports and recommends to the Assembly. The Legislative Assembly has full and final authority with respect to disciplinary matters relating to its Members.

Further information on the functions and responsibilities of the Office of the Ethics Commissioner may be obtained by contacting the office:

Office of the Ethics Commissioner
1250, 9925 - 109 Street, Edmonton, Alberta T5K 2J8
Phone: (780) 422-2273 Fax: (780) 422-2261
E-mail: generalinfo@ethicscommissioner.ab.ca
Website: www.ethicscommissioner.ab.ca

September 23, 2002

Hon. Kenneth R. Kowalski
Speaker of the Legislative Assembly
325 Legislature Building
Edmonton, Alberta
T5K 2B6

Dear Mr. Speaker:

It is my honour and pleasure to submit to you the Annual Report of the Office of the Ethics Commissioner, covering the period from April 1, 2001 to March 31, 2002.

This report is submitted pursuant to section 46(1) of the *Conflicts of Interest Act*, Chapter C-23 of the 2000 Revised Statutes of Alberta.

Yours very truly,

Robert C. Clark
Ethics Commissioner

ETHICS COMMISSIONER'S REMARKS

This report marks the conclusion of my second five-year term as Alberta's Ethics Commissioner. It has been my pleasure to serve the Legislative Assembly for the past 10 years and, more importantly, to serve the people of Alberta.

The Legislature accepted the recommendation of the Standing Committee on Legislative Offices to re-appoint me for an additional five years. The Order-in-Council appointing me as Ethics Commissioner until March 31, 2007, was signed on March 12, 2002. I wish to thank the Assembly for its continued support for this office and to me personally.

As noted in last year's annual report, I recommended that, following my resignation as Information and Privacy Commissioner, the Office of the Ethics Commissioner move to separate office space. That move was accomplished effective September 1, 2001. I wish to thank Alberta Infrastructure for its assistance in achieving this move and the Legislative Assembly's Standing Committee on Legislative Offices for their support for the financial resources to make this move successful.

I must also thank the staff of the Office of the Information and Privacy Commissioner (OIPC) for the assistance they provided prior to, during, and after our move. The Office of the Ethics Commissioner consists of myself, Karen South as Senior Administrator (with 10 years of service in the office), and Angela Shaver as administrative support (added in October 2001).

We do not have the resources to carry out financial, human resources, information technology, or internal legal services. We have relied on other offices for that support over the years and we will continue to do so.

As recommended by the Auditor General of Alberta, we will be billed quarterly for the services provided to our office by OIPC. Karen South will also provide proofreading and editing services to OIPC and we will bill that office for her services. I value our relationship with OIPC and trust that we will continue to support each other for many years to come.

Fiscal year 2001-02 was interesting. The move was certainly a challenge – more in terms of focussing our attentions on a sole mandate instead of the dual positions held before. But it also offered me more time to reflect on some of the issues relating to this office, either directly or indirectly.

It is my firm belief that political life has changed in Alberta over the past 10 years in more positive ways than negative ways (at least from the perspective of this office). Elected officials have been cooperative with my office and conscientious in bringing matters to my attention. More and more over the years, Members have commented on the importance of their families in their lives and on issues that are important to them personally and on which they wish to have a positive impact in resolving or highlighting.

In his final report to the House of Commons in Ottawa (February 27, 2001), former Auditor General Denis Desautels wrote:

I also ask those who have become cynical about their government to reconsider. Our institutions are the best defence of ordinary citizens against adverse trends that require collective action to mitigate – I place economic, social and environmental concerns in this category. Our public institutions are also the best defence against the power of vested interests that might seek special consideration in laws or simply

a free hand to do what they want. Our institutions are important. Politics is important. It is our duty as citizens to strengthen the institutions of government. Those of us who are or who have been inside the system have a duty to ensure that we remain accountable for our actions and the vast resources and aspirations entrusted to us.

That is a standard of behaviour that our citizens expect of us and that I believe we all are capable of achieving. “Accountability” and “transparency” are key elements of modern government and of the offices of the Legislature Officers such as this one.

We often advise Members to consider how they would want their activities reported on the front page of their local paper. A stronger standard or principle is, of course, to do the right thing whether or not someone else is watching to report on your behaviour.

As set out statistically later in this report, our office was contacted for advice to a greater extent than in past years. Part of the reason for the increase relates to this year being the first year in the term of a new Legislature. New Members tend to ask more questions than experienced Members do, although we have a number of veteran Members who do not hesitate to call upon us when necessary.

The second reason for the increase relates to the one investigation conducted by my office this year under the *Conflicts of Interest Act*. I will discuss the investigation in greater detail under that section of this report; however, it did result in a flurry of telephone calls and correspondence to my office. While many of the calls related to disclosure of information, a number of Members also sought advice.

The advice of this office was also sought by persons or regarding persons not covered by our mandate. I generally accept those requests to provide advice as I feel there are few resources within the Alberta public service that can offer an independent review of an ethics question.

While I am pleased to assist, I do have concerns that my office does not have the resources to conduct full or thorough reviews of an issue (such as the type of information provided to me through disclosure statements and yearly meetings with individuals). As with advice to Members, my unofficial advice is also dependent on the quality and quantity of information provided to me. I have found people to be very open in their discussions with me and willing to provide whatever further information I require.

One of the most interesting requests for the involvement of my office during this past year related to a project under the sponsorship of the Canadian International Development Agency (CIDA) for the promotion of ethics in Tanzania. The University of Calgary’s International Centre, together with IRIS Environmental Systems Ltd., was chosen as the successful applicant on this project. My office has agreed to act as a sub-contractor on the project.

I followed with interest the discussions in the Legislative Assembly in the Spring of 2001 with respect to the possible involvement of my office with respect to conflict of interest regarding Regional Health Authorities. Although the Private Member’s Bill (Bill 206) on the issue was defeated, I would be supportive of further consideration of this matter, as I believe it is important from not only an accountability standpoint but also from a public interest position. Allegations of inappropriate actions can damage or take away valuable time and resources from the very important decisions that these bodies are expected to make.

I also note that the government was asked to consider lobbyist legislation and, after doing so, decided not to pursue that matter. As I have stated in the past, I am supportive of lobbyist registration. I do believe it has a role in openness, transparency, and accountability

I accept that the government has chosen not to proceed with a lobbyist registration system at this time, but would urge them to consider doing so at a later date.

There were also discussions surrounding a review of the *Conflicts of Interest Act* and, although a review is not required under the Act for some time, I would support an earlier review.

I would also like to thank the Standing Committee on Legislative Offices for their support for my service as President of the Council on Governmental Ethics Laws (COGEL) in 2001. Members of the Committee have attended and participated in COGEL's annual meetings for several years, but it was particularly gratifying to me to see them at the conference in Lexington, Kentucky, where my term as President concluded. I will comment further on COGEL in the section on "Professional Associations."

My office has returned a small portion of its budget in each of its 10 years of operation. This year is no exception. We strive to keep costs to a minimum and to that end, were successful in finding some office furnishings at the government's recycling centre.

An increase in the funding for the Office has been requested. It has been a number of years since the Office of Ethics Commissioner existed on its own and, in 2001-02, we required funds to once again establish a standalone office. Those funds did not cover a full year and 2002-03 will be the first full year for salaries and other expenses as a separate Office once again.

DISCLOSURE STATEMENTS

No significant changes were made to Members' or Senior Officials' disclosure statements for this reporting year.

All 83 Members filed their disclosure statements within the timeframe set for filing. As always, I am indebted to the caucus Whips for their assistance in ensuring compliance.

The time line with respect to filings by Senior Officials was moved from August to October in

2001, for the most part because of our office move. The number of Senior Officials grew as a result of the restructuring of departments following the general election. I have no concerns with respect to compliance by Senior Officials with the filing deadline for 2001.

The consolidated disclosure statements developed in 2000 have been widely accepted as a useful tool in reminding Members and Senior Officials of the information accumulated over the years. The consolidated disclosure statements have led to more accurate records of officials' holdings.

INVESTIGATIONS

Only one investigation was conducted under the *Conflicts of Interest Act* in 2001-02. The investigation was initiated by the former Member for Wainwright, Robert (Butch) Fischer and related to the Member's failure to disclose certain information to my office and contracts with Alberta Treasury Branches (ATB), which are prohibited under the Act.

The Member brought these matters to my attention in late November 2001. He cooperated fully with my investigation and provided access to all relevant financial documents relating to the acquisition of certain properties and the mortgages with ATB. ATB also cooperated with my investigation.

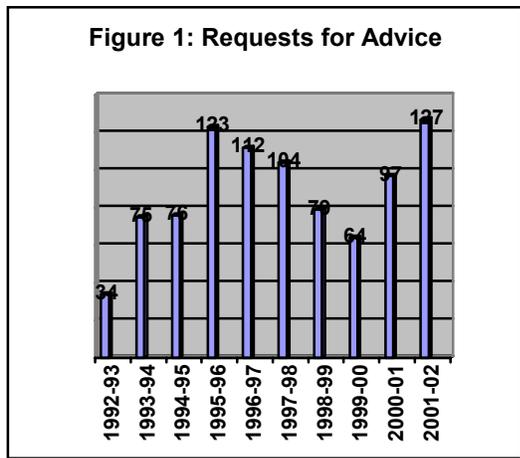
I determined that the Member had acquired the properties and entered into the mortgages some 14 to 16 months prior to advising my office of them. During the time that he had interests in these matters, he met with me or was asked to review disclosure statements on a number of occasions and did not reveal his interests on any of those occasions.

During the investigation, I advised the Member that I would likely recommend a sanction, and the Member, to his credit, chose to resign from the House.

There has been some concern expressed by members of the public that sanctions ought to have been recommended even though the Member resigned. The Act does not allow that step to be taken. Disciplinary action is for the House to take with respect to its Members. Some of the sanctions (suspension or expulsion) are not available if a Member resigns. There is also no mechanism for the imposition of a penalty, such as to whom a financial penalty might be paid. This is a problem that exists whether or not a Member resigns. A reprimand would probably not have been satisfactory in this case. This is one issue that I would intend to raise with a review committee when the Act is being reviewed in detail.

CASE COMMENTARIES

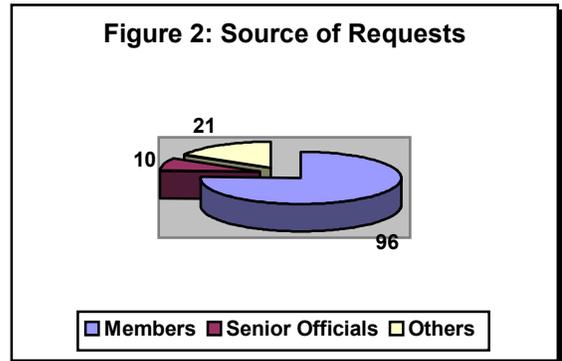
As mentioned earlier, the number of requests for advice increased in 2001-02. Figure 1 provides statistical information on requests for advice.



As shown in Figure 2 below, the vast majority of requests come from Members of the Legislative Assembly or their staff on behalf of the Member. The category shown as “Senior officials” includes senior members of the public service but may not necessarily include those designated

officials who file disclosure statements with my office.

“Others” includes potential candidates and public servants.



Private Interests

Members continue to contact my office when matters arise in the House or in committees (of Executive Council or the House) where the Member or a family member may have an interest. The broadest interpretation of “interest” has often been taken – for which I applaud the Members who have removed themselves. For example, the issue may not personally benefit the Member or a direct associate but is in a narrow industry or field where the Member or a direct associate has an interest.

Members contacted my office about sponsoring certain items before the Legislature. Members had direct or indirect interests that could be seen to benefit from the initiative. Those Members were advised against proceeding as sponsors.

With the increased inclusion of private Members on such bodies as Treasury Board, Agenda and Priorities, or as Chairs of Standing Policy Committees, the securities held by those individuals may be an issue and are reviewed when such appointments are made or at the time of an annual meeting. It is therefore important for Members to ensure that the list of

committees and other bodies are accurate and complete when they disclose “income” to my office.

Campaign Activities

I am pleased that potential candidates for elected office have approached my office, even before declaring themselves as candidates. In some cases, former Members have encouraged them to do so or the party has. Awareness of conflict of interest or a desire to ensure compliance with the requirements of the Act is higher than I believe the public would think. It is one of the reasons why I believe political life in this province has improved in a positive way, as I mentioned in my opening comments.

Constituency Work

Some Members raised the issue of reference letters during this reporting period. I continue to have concerns about letters to the courts and advise against that when an accused person has not yet been tried. If a “character reference” letter has been requested based on years of personal knowledge of the individual seeking the reference, then I advise the Member to write the letter without referencing the Member’s public position (i.e. no MLA letterhead or reference to the MLA office in the letter). I appreciate that the letter writer’s position may be well known in the community; however, if the relationship is a personal one, the letter should reflect that relationship only.

Other types of letters of reference (for jobs, grants, honorary titles, etc.) are, for the most part, up to the Member’s discretion. Members may want to consider how well they know the person requesting the reference and that person’s qualifications for the position. Additionally, Members and especially Ministers must consider what role they may have to play in a decision on the matter. For example, does the Member or Minister have a responsibility that would relate

to a public position being sought by a person seeking a reference? Some appointments are voted on in the Legislative Assembly; some appointees may appear before a Standing Policy Committee.

Members of Executive Council

Cabinet Ministers have raised matters with my office with respect to issues before them. In some cases, the issues related to persons not covered by the Act (i.e. extended family beyond spouse or minor children). I thank the Members for considering the spirit and not just the letter of the law.

Blind Trusts

Following a general election, there usually are questions raised by new Ministers with respect to publicly-traded securities. Generally, the size of the Minister’s holdings is one of the most relevant considerations in deciding whether or not to establish a blind trust. The interest by the Minister in pursuing those types of investments to a greater extent is another consideration.

In some cases, Ministers chose to divest themselves of the shares; in other cases, a blind trust arrangement was set up.

Post Employment

Former Ministers may request advice from my office during the six-month period after they leave Executive Council with respect to employment opportunities. Former Ministers did seek that advice during 2001-02.

My normal practice when a former Minister seeks such advice is to find out from the former Minister the exact nature of the new business interest being pursued. I then check with the former Minister’s department(s) to determine whether there were significant official dealings between an identified entity and the

department(s).

Where the business interest may be a newly-created entity, the former Minister would be asked to clearly state what the intended purpose of the new business would be and whether potential clients had significant official dealings with the former Minister's department(s).

My advice would be dependent on whether or not there were significant official dealings in the past. Cautions regarding making representations to the former Minister's department(s) are always stated.

Outside Employment

This is an area that continues to generate criticism from members of the public. Most complaints in this regard contain the comments that Members are well-paid and that the position is compensated at a full-time level. Additional comments relate to the citizen's view that the Member is ignoring the constituency if the Member is holding other employment.

There is nothing in the *Conflicts of Interest Act* that prohibits a private Member (a person who is not a member of the Executive Council) from holding outside employment. Members who do continue to hold other employment must be conscientious in observing the obligations under the Act (i.e. not taking part in decisions that would benefit their private interests, etc.).

Members who are professionals may have to continue employment, albeit in a lesser capacity, in order to retain accreditation or standing.

Members who own or operate small businesses may not be prepared to sell a family business while they are in public office. Legislature terms are generally for only four years and there is no guarantee of re-election. Often, arrangements are made for another person to run the day-to-day operations of the business, but Members may be required to oversee the business or make decisions to ensure that the

business is commercially viable when they choose to leave public office.

When outside employment has the potential to conflict with the Member's public responsibilities, Members may contact my office. Examples have included Members who may, as a result of work for clients, have dealings with Crown agencies or officials. In some cases, the Member may be advised to avoid or cease such work. Such work, in some circumstances, can be similar to what a Member would be expected to do for a constituent. In other cases, the work may continue with cautions relating to the Member's obligations under the Act.

While not necessarily "employment," Members have asked whether they might accept an appointment to a position or a board. In such cases, Members are asked to provide further information relating to their current responsibilities and the exact nature of the responsibilities expected of them if they were appointed to the position or board. We advise against any solicitation of contributions and especially advise against any solicitations of funds or support from government.

Contracts with the Crown

The single investigation conducted this fiscal year related to this issue.

Since the mid-1950s, Members have not been able to enter into contracts with Alberta Treasury Branches (now ATB Financial). That restriction was contained within the *Legislative Assembly Act* and was transferred to the *Conflicts of Interest Act* in 1992.

The investigation has, I believe, increased Members' awareness of the prohibition. In addition, I met with the new head of ATB Financial and have worked with that institution to assist them in advising their staff of the restrictions set out in the *Conflicts of Interest Act*.

Direct Associates

The activities of Members' direct associates raise some interesting technical challenges for this office. Neither Members nor their direct associates can enter into contracts with entities such as ATB Financial or the Agriculture Financial Services Corporation. However, a private corporation wholly owned by a direct associate is not itself a direct associate of the Member, unless the Member owns shares personally or is an officer or director of the corporation.

Therefore, a private corporation owned by a Member's direct associate may, under certain circumstances, enter into contracts with the Crown otherwise prohibited by section 8 of the Act.

Is this what the Legislature intended? It is a matter that does require more input from the Legislature, and I hope that it will be addressed when the Act is reviewed.

A number of questions were raised this year with respect to a spouse's ability to hold certain investments and what concerns their holdings might have on the Member. A number of spouses attended the annual disclosure meeting this year, and I was pleased to see the level of interest and the desire on the part of both the Member and the Member's spouse to avoid potential and real conflicts of interest.

Fees, Gifts and Benefits

A number of Members have declared as "gifts" or "other benefits," the receipt of tickets to political fundraisers. I do not view those events as being connected directly or indirectly with a Member's public responsibilities.

I have advised Members against accepting tickets paid for by corporations where the event is not party-related. Such events may include tickets to hockey games or to events featuring

prominent guest speakers or performers. Regardless of whether there is a "charitable" component to the event, it is not appropriate for a Minister to accept a ticket from an entity that does business with the Minister's department. Nor do I believe it appropriate for private Members to accept such tickets from an industry that is likely to have an interest in matters before the Legislature. There are exceptions, of course, when there is clearly a social obligation or incident of protocol involved (for example, a Minister appearing as the government representative at a world-class event held in the province).

I accept that there may appear to be some incongruity in the above two paragraphs. However, it is not dissimilar to the reality that a corporation may make a political donation to a Member or a party, but would not be permitted to directly provide a "gift" or "other benefit" to a Member outside the election finances contribution rules.

Charity tournaments, for which an entry fee is waived, have been approved by my office. I believe these types of events are part of the social obligation and protocol associated with public office. Prizes won or "earned" (such as "longest drive") at such tournaments are not, in my opinion, discloseable under the Act.

I have also discouraged Members from accepting industry-funded trips. While I accept that the public purse benefits from someone else paying travel expenses, my question to Members is: "Why are they offering you this?" Is there a quid pro quo expected at some point down the line?

Senior Officials

There is no post-employment provision with respect to Senior Officials. Nevertheless, each year, my office receives calls or questions regarding what is appropriate for these individuals. With respect to this subject, the individuals seeking my advice may be persons other than those designated as Senior Officials who file disclosure statements with my office.

Most of the requests for advice from Senior Officials this past year fell into two categories: gift questions and assistance on broader internal conflict of interest matters. For example, we might be asked to comment on a draft policy or offer suggestions on how to deal with a specific situation.

PROFESSIONAL ASSOCIATIONS

Karen South and I attended the annual meeting of the Canadian Conflict of Interest Network in Toronto in September 2001. We took that opportunity to meet with staff in the Office of the Integrity Commissioner, as they have responsibility for lobbyist registration in that province. We are grateful to the new Commissioner, the Hon. Coulter Osborne, and his staff, Lynn Morrison and Claire Miller, for the courtesy extended to us and for the information provided on their system. We were also pleased to spend some time with the former Integrity Commissioner, the Hon. Greg Evans, Q.C.

As always, my Canadian colleagues held open discussions about issues in their jurisdictions and offered advice and opinions to each other in dealing with those issues. I value my colleagues' opinions and greatly appreciate the annual meeting with them.

The Hon. Ted Hughes, Q.C., was appointed Conflict of Interest Commissioner for the Northwest Territories (he also served as the Commissioner for Yukon during this reporting year).

Gerald Gerrand, Conflict of Interest Commissioner for Saskatchewan, will host our next CCOIN meeting in Regina in September 2002.

As mentioned earlier, I served as President of the Council on Governmental Ethics Laws for calendar year 2001 (taking over after the December 2000 conference in Florida and

handing over at the end of the conference in Kentucky in December 2001).

My COGEL colleagues on the Steering Committee, the local conference organizers, and the service provider made the job so much easier than I anticipated. The conference was a success, and I look forward to continuing to support the organization as a member as I have completed my term on the steering committee.

The next COGEL conference will be held September 29 to October 2, 2002, in Ottawa.

Again, with the support of the Standing Committee on Legislative Offices, I served on a three-person panel in the Northwest Territories that reviewed Members' remuneration. The timeframe for reviewing the issue was short and was accomplished as much as possible by telephone conference call. The staff of the NWT Legislative Assembly provided excellent support to the panel.

Karen South was elected to the Board of Directors of the Ethics Practitioners Association of Canada in October 2001. Karen continues to hold Ethics Roundtables each month from September to May. In this fiscal year, the following roundtables were held:

- April 2001: workplace monitoring
- May 2001: ethics and values in Canadian society
- September 2001: ethics and the media
- October 2001: ethical decision-making
- November/December 2001: none held;
- January 2002: Alberta Human Rights and Citizenship Commission;
- February 2002: ethics training at Workers' Compensation Board
- March 2002: codes of conduct or statements of values and ethics for province of Alberta, government of Canada, and the private sector.

We are pleased to be a part of this network of persons interested in ethics in Edmonton.

PUBLIC INFORMATION

We continued to utilize the services of the Office of the Ethics Counsellor in Ottawa for web site access to our office documents. Many conflict of interest commissioners' offices across Canada have set up their own independent web sites, and it is our intention to pursue that option early in 2002-03.

Ontario has moved toward electronic filing by Members for their disclosure statements. We anticipate putting blank forms on the web site initially and will watch Ontario's filing arrangements with interest. Security of the very personal information collected will continue to be our primary concern.

We will discuss with Members the possibility of placing the public disclosure statements on the web site.

On February 13, 2002, I made a brief presentation to the bi-weekly meeting of Deputy Ministers and other Senior Officials. I wish to thank the Deputy Minister of Executive Council, Julian Nowicki, for allowing me to meet collectively with Alberta's Senior Officials.

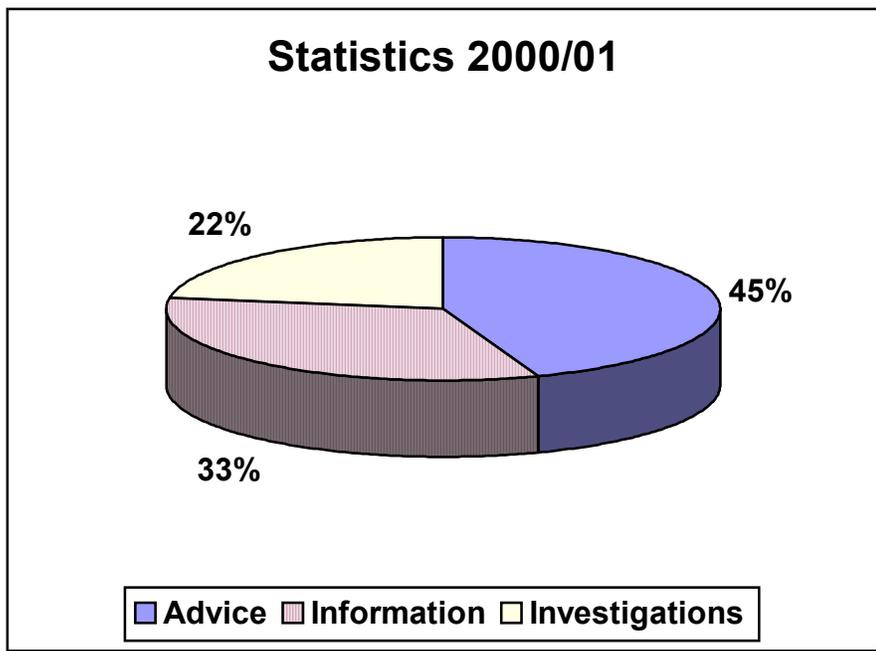
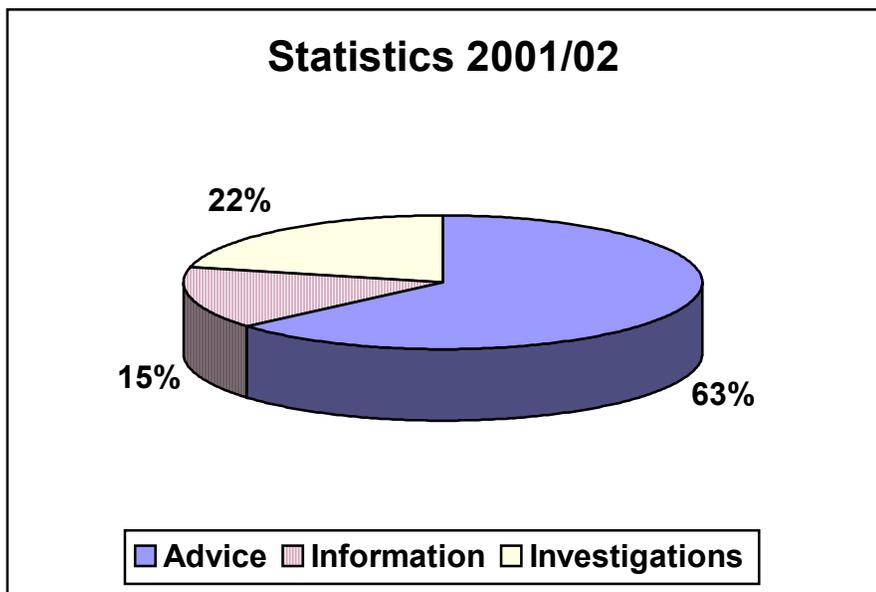
Publications

A new brochure on the office will be published in 2002-03.

We received requests from other jurisdictions for copies of our disclosure forms or for the Ethics Bulletins we previously produced. Copies of annual reports and information on gift rules and post-employment rules were also sought.

COMPARATIVE STATISTICS

The pie charts below show the percentage of requests received by our office that dealt with information, investigations, or provision of advice.



Office of the Ethics Commissioner

Financial Statements

As at March 31, 2002

OFFICE OF THE ETHICS COMMISSIONER

FINANCIAL STATEMENTS

AS AT MARCH 31, 2002

Auditor's Report

Statement of Financial Position

Statement of Changes in Net Liabilities

Statement of Operations

Statement of Changes in Financial Position

Notes to the Financial Statements

Schedule 1 – Salary and Benefits Disclosure

AUDITOR'S REPORT

To the Chairman, Select Standing Committee on Legislative Offices

I have audited the statement of financial position of the Office of the Ethics Commissioner as at March 31, 2002 and the statements of changes in net liabilities, operations, and changes in financial position for the year then ended. These financial statements are the responsibility of the Office's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

CA
Auditor General

Edmonton, Alberta
July 19, 2002

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2002

	<u>2002</u>	<u>2001</u>
ASSETS		
Current assets:		
Prepaid expenses	\$ 1,017	\$ -
Accounts receivable	-	486
Total current assets	<u>1,017</u>	<u>486</u>
Capital assets (Note 4)	<u>32,414</u>	<u>5,048</u>
	<u>\$ 33,431</u>	<u>\$ 5,534</u>
LIABILITIES AND NET LIABILITIES		
Current liabilities:		
Accounts payable	\$ 11,982	\$ 12,576
Accrued vacation pay	28,323	15,323
Total current liabilities	<u>40,305</u>	<u>27,899</u>
Net liabilities	<u>(6,874)</u>	<u>(22,365)</u>
	<u>\$ 33,431</u>	<u>\$ 5,534</u>

The accompanying notes and schedule are part of these financial statements.

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF CHANGES IN NET LIABILITIES

FOR THE YEAR ENDED MARCH 31, 2002

	<u>2002</u>	<u>2001</u>
Net liabilities at beginning of year	\$ (22,365)	\$ (13,320)
Net operating results	(284,359)	(172,927)
Net transfer from general revenues	<u>299,850</u>	<u>163,882</u>
Net liabilities at end of year	<u>\$ (6,874)</u>	<u>\$ (22,365)</u>

The accompanying notes and schedule are part of these financial statements.

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2002

	<u>2002</u>	<u>2001</u>
	<u>Budget</u>	<u>Actual</u>
Revenues		
Contribution from Infrastructure for accommodation provided at no charge (Note 5)	\$ 87,792	\$ 7,381
Contribution from Innovation and Science for telephone provided at no charge	1,830	1,376
Prior Year Expenditure Refund	<u>1,192</u>	<u>-</u>
Total Revenue	<u>90,814</u>	<u>8,757</u>
Expenses		
Voted		
Salary, wages, and employee benefits	200,045	140,022
Supplies and services	99,872	26,372
	(Note 7) <u>\$ 212,000</u>	<u>166,394</u>
Non-budgetary		
Accommodation and telephone costs (Note 5)	89,622	8,757
Capitalization of assets expensed as supplies	(34,554)	(2,112)
Amortization of capital assets	7,188	909
	<u>62,256</u>	<u>7,554</u>
Valuation adjustments		
Provision for vacation pay	13,000	7,736
Total Expenses	<u>375,173</u>	<u>181,684</u>
Net operating results	<u>\$ (284,359)</u>	<u>\$ (172,927)</u>

The accompanying notes and schedule are part of these financial statements.

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 2002

	<u>2002</u>	<u>2001</u>
Operating transactions		
Net operating results	\$ (284,359)	\$ (172,927)
Add non-cash charges		
Amortization of capital assets	<u>7,188</u>	<u>909</u>
	(277,171)	(172,018)
Increase in prepaid expenses	(1,017)	-
Decrease (increase) in accounts receivable	486	(486)
Increase (decrease) in accounts payable	(594)	2,998
Increase in accrued vacation pay	<u>13,000</u>	<u>7,736</u>
Cash used by operating transactions	(265,296)	(161,770)
Investing transactions		
Acquisition of capital assets	<u>(34,554)</u>	<u>(2,112)</u>
Financing transactions		
Net transfer from general revenues	<u>299,850</u>	<u>163,882</u>
Net cash provided	-	-
Cash, beginning of year	<u>-</u>	<u>-</u>
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes and schedule are part of these financial statements.

OFFICE OF THE ETHICS COMMISSIONER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2002

Note 1 Authority

The Office of the Ethics Commissioner (the “Office”) is operated under the authority of the Conflicts of Interest Act. The net cost of the operations of the Office is borne by the General Revenue Fund of the Province of Alberta. Annual operating budgets are approved by the Select Standing Committee on Legislative Offices.

Note 2 Purpose

The Office of the Ethics Commissioner enhances public confidence in the integrity of Members of the Legislative Assembly and of the public service of Alberta by providing advice and guidance to Members and senior officials regarding their private interests in relation to their public responsibilities, by conducting investigations into allegations of conflicts of interest against Members, and by promoting the understanding by Members, senior officials and the public of the obligations regarding conflict of interest contained in legislation or directive.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian generally accepted accounting principles:

a) Reporting Entity

The reporting entity is the Office of the Ethics Commissioner, for which the Ethics Commissioner is responsible.

The Office operates within the General Revenue Fund (the “Fund”). The Fund is administrated by the Minister of Finance. All cash receipts of the Office are deposited into the Fund and all cash disbursements made by the Office are paid from the Fund. Net transfer from general revenues is the difference between all cash receipts and all cash disbursements made.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (continued)

b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting.

Expenses

Expenses represent the costs of resources consumed during the year on the Office's operations.

Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets and liabilities at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Assets

Amortization is calculated on a straight-line basis, over the estimated useful lives of the assets as follows:

Computer hardware and software	3 years
Furniture and other office equipment	10 years

The Office follows government budgetary practices which allow funds from an operating budget to be used to purchase capital assets costing less than \$15,000. These purchases are included in expenses on the statement of operations, but are then removed from expenses through a non-budgetary adjustment and are capitalized and amortized over their useful lives.

Liabilities

Liabilities include all financial claims payable by the Office at fiscal year end.

Net Liabilities

Net liabilities represent the difference between the value of assets held by the Office and its liabilities.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (continued)

b) Basis of Financial Reporting (continued)

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts payable and accrued vacation pay are estimated to approximate their book values, due to the short-term nature of these items.

Note 4 Capital Assets

	<u>2002</u>		<u>2001</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware and software	\$ 24,296	\$ 6,743	\$ 17,553	\$ 688
Furniture and other office equipment	<u>16,512</u>	<u>1,651</u>	<u>14,861</u>	<u>4,360</u>
	<u>\$ 40,808</u>	<u>\$ 8,394</u>	<u>\$ 32,414</u>	<u>\$ 5,048</u>

Note 5 Accommodation and Telephone Costs

Included in the \$87,792 contribution from Infrastructure and the \$89,622 accommodation and telephone costs is \$49,567 for renovations. During the year, the Office relocated to a new accommodation. The renovation costs were incurred by Infrastructure to ready the new accommodation.

Note 6 Pensions

The Office participates in the multiemployer pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The expense for these pension plans is equivalent to the annual contributions of \$8,290 for the year ending March 31, 2002 (2001 \$7,169).

Note 6 Pensions (continued)

At December 31, 2001, the Management Employees Pension Plan reported a surplus of \$5,338,000 (2000-\$170,858,000) and the Public Service Pension Plan reported a surplus of \$320,487,000 (2000 -\$635,084,000).

The Office also participates in a multiemployer Long Term Disability Income Continuance Plan. At March 31, 2002, the Management, Opted Out and Excluded Plan reported an actuarial deficiency of \$2,656,000 (2001-\$4,583,000). The expense for this plan is limited to employer's annual contributions for the year.

Note 7 Budget

Expenses

2001-2002 budget ^(a)	\$ 212,000
2001-2002 supplementary estimate ^(b)	<u>142,000</u>
2001-2002 adjusted budget	354,000
2001-2002 actual expenses (excluding valuation adjustments)	<u>299,917</u>
2001-2002 surplus (excluding valuation adjustments)	<u><u>\$ 54,083</u></u>

^(a) Legislative Assembly Estimates released on April 24, 2001

^(b) Supplementary Estimate released Fall, 2001

Note 8 Lease Obligations

The office leases certain equipment under operating leases that expire on various dates to 2005. The aggregate amount payable for the unexpired terms of these leases are as follows:

2003	\$ 2,796
2004	2,700
2005	<u>1,350</u>
Total	<u><u>\$ 6,846</u></u>

Note 9 Approval of Financial Statements

These financial statements were approved by the Ethics Commissioner.

Schedule 1

OFFICE OF THE ETHICS COMMISSIONER
SALARY AND BENEFITS DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2002

	<u>2002</u>			<u>2001</u>
	<u>Salary</u> ⁽¹⁾	<u>Benefits and Allowances</u> ⁽²⁾	<u>Total</u>	<u>Total</u>
Senior official Ethics Commissioner ⁽³⁾	\$ 84,748	\$ 8,267	\$ 93,015	\$ 54,589

(1) Salary includes contract payments, bonus, and payment in lieu of employee participating in the Management Employee Pension Plan.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of the employee including Alberta Health Care, dental and extended medical coverage, group life insurance, long-term disability plan, WCB, professional memberships and conference fees. Automobile is provided but not included in benefits calculations.

(3) For the period April 1 to August 31/01, Mr. Robert Clark fulfilled the position of both the Ethics Commissioner (30% FTE) and the Information and Privacy Commissioner (70% FTE). Effective August 31, 2001, Mr. Clark retired as Information and Privacy Commissioner. Mr. Clark continued in his contract as Ethics Commissioner.