

OFFICE OF THE ETHICS COMMISSIONER

FINANCIAL STATEMENTS

AS AT MARCH 31, 2006

Auditor's Report

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Auditor's Report

To the Members of the Legislative Assembly

I have audited the statement of financial position of the Office of the Ethics Commissioner (the Office) as at March 31, 2006 and the statements of changes in net liabilities, operations and cash flow 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
June 21, 2006

 FCA
Auditor General

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
ASSETS		
Current assets		
Accounts receivable	\$ 221	\$ 45
Prepaid expenses	895	1,582
Total current assets	<u>1,116</u>	<u>1,627</u>
Capital assets (Note 4)	<u>12,534</u>	<u>10,766</u>
	<u>\$ 13,650</u>	<u>\$ 12,393</u>
LIABILITIES AND NET LIABILITIES		
Current liabilities		
Accounts payable	\$ 8,570	\$ 18,650
Accrued vacation pay	22,073	16,046
Total current liabilities	<u>30,643</u>	<u>34,696</u>
Net liabilities	<u>(16,993)</u>	<u>(22,303)</u>
	<u>\$ 13,650</u>	<u>\$ 12,393</u>

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

OFFICE OF THE ETHICS COMMISSIONER
STATEMENT OF CHANGES IN NET LIABILITIES
FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
Net liabilities at beginning of year	\$ (22,303)	\$ (9,220)
Net operating results	(366,595)	(339,610)
Net transfer from general revenues	<u>371,905</u>	<u>326,527</u>
Net liabilities at end of year	<u>\$ (16,993)</u>	<u>\$ (22,303)</u>

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

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2006

	2006		2005
	Budget (Note 6)	Actual	Actual
Revenues			
Prior Year Expenditure Refund		\$ -	\$ 678
Shared Services-Information and Privacy Commissioner		1,257	530
Total Revenue		<u>1,257</u>	<u>1,208</u>
Expenses			
Voted			
Salary, wages, and employee benefits		295,564	277,913
Supplies and services		66,772	57,963
	<u>\$ 419,000</u>	<u>362,336</u>	<u>335,876</u>
Non-budgetary			
Capitalization of assets expensed as supplies		(4,582)	-
Amortization of capital assets		2,814	4,481
Shared Services-Information and Privacy Commissioner		1,257	530
		<u>(511)</u>	<u>5,011</u>
Valuation adjustments			
Provision for vacation pay		6,027	(69)
Total Expenses		<u>367,852</u>	<u>340,818</u>
Net operating results		<u>\$ (366,595)</u>	<u>\$ (339,610)</u>

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

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
Operating transactions		
Net operating results	\$ (366,595)	\$ (339,610)
Add non -cash charges		
Amortization of capital assets	<u>2,814</u>	<u>4,481</u>
	(363,781)	(335,129)
Increase in accounts receivable	(176)	(45)
Decrease (increase) in prepaid expenses	687	(461)
Increase (decrease) in accounts payable	(10,080)	9,177
Increase (decrease) in accrued vacation pay	<u>6,027</u>	<u>(69)</u>
Cash applied to operating transactions	<u>(367,323)</u>	<u>(326,527)</u>
Capital transactions		
Acquisition of capital assets	<u>(4,582)</u>	<u>-</u>
Cash applied to capital transactions	<u>(4,582)</u>	<u>-</u>
Financing transactions		
Net transfer from general revenues	<u>371,905</u>	<u>326,527</u>
Increase (decrease) in cash	-	-
Cash, beginning of year	<u>-</u>	<u>-</u>
Cash, end of year	<u><u>-</u></u>	<u><u>-</u></u>

The accompanying notes and schedules are part of these financial statements

OFFICE OF THE ETHICS COMMISSIONER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Note 1 Authority

The Office of the Ethics Commissioner 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 is administered 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

Tangible capital assets are amortized 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. 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. The Office of the Ethics Commissioner capitalizes assets if their useful life is expected to be longer than 1 year and the purchase cost is \$2,500 or greater (\$250 for fiscal years prior to and including March 31, 2003).

Liabilities

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

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

b) Basis of Financial Reporting

Net Liabilities

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

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

Note 4 Capital Assets

	2006		2005
	Cost	Accumulated Amortization	Net Book Value
Computer hardware and software	\$ 29,634	\$ 25,816	\$ 3,818
Furniture and other office equipment	17,278	8,562	8,716
	<u>\$ 46,912</u>	<u>\$ 34,378</u>	<u>\$ 12,534</u>

Note 5 Defined Benefit Plans

The Office participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The expense for these pension plans is equivalent to the annual contributions of \$17,758 for the year ending March 31, 2006 (2005 \$12,946).

Note 5 Defined Benefit Plans (continued)

At December 31, 2005, the Management Employees Pension Plan reported a deficiency of \$165,895,000 (2004-\$268,101,000) and the Public Service Pension Plan reported a deficiency of \$187,704,000 (2004 - \$450,068,000).

The Office also participates in a multiemployer Long Term Disability Income Continuance Plan. At March 31, 2006, the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$8,309,000 (2005-\$3,208,000). The expense for this plan is limited to employer's annual contributions for the year.

Note 6 Budget

Expenses

2005-2006 budget ^(a)	\$ 419,000
2005-2006 actual voted expenses	<u>362,336</u>
2005-2006 surplus (excluding valuation adjustments and non-budgetary expenses)	<u>\$ 56,664</u>

^(a) Legislative Assembly Estimates released on April 13, 2005

Note 7 Lease Obligations

The office leases a photocopier under an operating lease that expires in December 2006. The aggregate amount payable for the unexpired term of this lease is as follows:

2007	<u>\$ 1,755</u>
Total	<u>\$ 1,755</u>

Note 8 Approval of Financial Statements

These financial statements were approved by the Ethics Commissioner.

OFFICE OF THE ETHICS COMMISSIONER
SALARY AND BENEFITS DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2006

	2006			2005	
	Base Salary (1)	Other Cash Benefits (2)	Other Non- Cash Benefits (3)	Total	Total
Senior official Ethics Commissioner ⁽⁴⁾	\$ 110,985	\$ 15,633	\$ 4,121	\$ 130,739	\$ 121,214

(1) Base salary includes contract payments.

(2) Other cash benefits include monthly payment in lieu of employee participating in the Management Employee Pension Plan.

(3) Employer's share of all employee benefits and contributions or payments made on behalf of the employee including CPP/EI premiums, Alberta Health Care, dental, prescription drug and extended medical coverage, group life insurance, long-term disability plan and WCB premiums.

(4) An automobile was provided, but not included in other non-cash benefit figures.

SCHEDULE OF ALLOCATED COSTSFOR THE YEAR ENDED MARCH 31, 2006

Program	2006				2005	
	Expenses ⁽¹⁾	Expenses - Incurred by Others		Valuation Adjustments ⁽⁴⁾	Total Expenses	Total Expenses
		Accommodation Costs ⁽²⁾	Telephone Costs ⁽³⁾	Vacation Pay		
Operations	\$ 361,825	\$ 45,982	\$ 1,058	\$ 6,027	\$ 414,892	\$ 388,668

(1) Expenses - Directly Incurred as per Statement of Operations, excluding valuation adjustments.

(2) Costs shown for Accommodation (includes grants in lieu of taxes) is allocated by square footage.

(3) Costs shown for Telephone is line costs for all phone numbers

(4) Valuation Adjustments as per Statement of Operations. Employee benefits provision was allocated by employee.