

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Financial Statements

I have audited the accompanying financial statements of the Office of the Ethics Commissioner, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Ethics Commissioner as at March 31, 2018, and the results of its operations, its remeasurement gains and losses, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]

Auditor General

June 25, 2018
Edmonton, Alberta

Office of the Ethics Commissioner

Financial Statements

Year Ended March 31, 2018

OFFICE OF THE ETHICS COMMISSIONER

FINANCIAL STATEMENTS

Year ended March 31, 2018

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Change in Net Debt

Statement of Cash Flows

Notes to the Financial Statements

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Schedule 2 – Related Party Transactions

Schedule 3 – Allocated Costs

**OFFICE OF THE ETHICS COMMISSIONER
STATEMENT OF OPERATIONS
Year Ended March 31, 2018**

	<u>2018</u>		<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
EXPENSES - Directly Incurred			
(Note 3(b) and Schedule 3)			
Salaries, Wages and Employee Benefits	\$ 709,000	\$ 687,391	\$ 718,673
Supplies and Services	240,000	185,623	287,540
Amortization of Tangible Capital Assets (Note 4)	15,000	2,238	8,524
Total Program - Operations	<u>\$ 964,000</u>	<u>\$ 875,252</u>	<u>\$ 1,014,737</u>
Cost of Operations	<u>\$ (964,000)</u>	<u>\$ (875,252)</u>	<u>\$ (1,014,737)</u>

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

OFFICE OF THE ETHICS COMMISSIONER
STATEMENT OF FINANCIAL POSITION
As at March 31, 2018

	<u>2018</u>	<u>2017</u>
Financial Asset		
Accounts Receivable	\$ 4	\$ -
Liabilities		
Accounts Payable and Accrued Liabilities	29,929	30,130
Accrued Vacation Pay	72,356	71,549
	<u>102,285</u>	<u>101,679</u>
Net Debt	<u>(102,281)</u>	<u>(101,679)</u>
Non-Financial Assets		
Tangible Capital Assets (Note 4)	2,980	5,218
	<u>2,980</u>	<u>5,218</u>
Net Liabilities	<u>\$ (99,301)</u>	<u>\$ (96,461)</u>
Net Liabilities at Beginning of Year	\$ (96,461)	\$ (47,564)
Cost of Operations	(875,252)	(1,014,737)
Net Financing Provided from General Revenues	<u>872,412</u>	<u>965,840</u>
Net Liabilities at End of Year	<u>\$ (99,301)</u>	<u>\$ (96,461)</u>

Contractual Obligations (Note 5)

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

**OFFICE OF THE ETHICS COMMISSIONER
STATEMENT OF CHANGE IN NET DEBT
Year Ended March 31, 2018**

	<u>2018</u>		<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Cost of Operations	\$ (964,000)	\$ (875,252)	\$ (1,014,737)
Amortization of Tangible Capital Assets (Note 4)	15,000	2,238	8,524
Net Financing Provided from General Revenue		<u>872,412</u>	<u>965,840</u>
Increase in Net Debt		\$ (602)	\$ (40,373)
Net Debt at Beginning of Year		<u>(101,679)</u>	<u>(61,306)</u>
Net Debt at End of Year		<u>\$ (102,281)</u>	<u>\$ (101,679)</u>

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

OFFICE OF THE ETHICS COMMISSIONER
STATEMENT OF CASH FLOWS
Year Ended March 31, 2018

	<u>2018</u>	<u>2017</u>
Operating Transactions		
Cost of Operations	\$ (875,252)	\$ (1,014,737)
Non-Cash Items included in Cost of Operations:		
Amortization of Tangible Capital Assets (Note 4)	2,238	8,524
Valuation Adjustments	807	19,767
	<u>(872,207)</u>	<u>(986,446)</u>
Increase in Accounts Receivable	(4)	-
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(201)	20,606
	<u>(872,412)</u>	<u>(965,840)</u>
Financing Transactions		
Net Financing Provided from General Revenues	<u>872,412</u>	<u>965,840</u>
Increase in Cash	-	-
Cash at Beginning of Year	-	-
Cash at End of Year	<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
March 31, 2018

NOTE 1 AUTHORITY

The Office of the Ethics Commissioner (the Office) operates under the authority of the *Conflicts of Interest Act* and the *Lobbyists 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 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 (Members), former Ministers and former political staff members, 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. The Office conducts investigations into allegations of conflicts of interest against Members, and promotes the understanding by Members, senior officials and the public of the obligations regarding conflict of interest contained in legislation or directive.

The Office of the Ethics Commissioner is responsible for creating and maintaining a publicly-accessible lobbyists registry; providing advice and information to lobbyists and citizens on matters covered by the *Lobbyists Act*; and conducting investigations into possible contraventions of the *Lobbyists Act* which may require payment of an administrative penalty.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards, which use accrual accounting.

(a) Reporting Entity

The reporting entity is the Office of the Ethics Commissioner and for which the Ethics Commissioner is accountable.

The Office operates within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board, Minister of Finance. All cash disbursements made by the Office are paid from the fund. Net financing provided from general revenues is comprised of all cash disbursements made.

The Office has adopted PS 3450 Financial Instruments. The adoption of this standard has no material impact on the financial statements of the Office, which is why there is no statement of re-measurement gains and losses.

The Office has prospectively adopted the following standards from April 1, 2017: PS 2200 Related Party Disclosures, PS 3420 Inter-Entity Transactions, PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights which are reflected in Note 4, Schedule 2, and Schedule 3.

Other pronouncements issued by the Public Sector Accounting Board that are not yet effective are not expected to have a material impact on future financial statements of the Office.

OFFICE OF THE ETHICS COMMISSIONER

Notes to the Financial Statements

March 31, 2018

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting

Expenses

Directly Incurred

Directly incurred expenses are those costs the Office has primary responsibility and accountability for, as reflected in the Office's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which comprise the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets 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.

Incurred by Others

Services contributed by other related entities in support of the Office's operations are not recognized but disclosed in Schedule 3.

Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Liabilities

Liabilities are present obligations of the Office to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

Non-Financial Assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- (a) are normally employed to deliver the Office's services;
- (b) may be consumed in the normal course of operations; and
- (c) are not for sale in the normal course of operations.

OFFICE OF THE ETHICS COMMISSIONER

Notes to the Financial Statements

March 31, 2018

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

Non-financial assets of the Office are limited to tangible capital assets and prepaid expenses.

Tangible Capital Assets

Tangible capital assets of the Office are recognized at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

(c) Net Debt

Net Debt indicates additional cash that will be required from General Revenues to finance the Office's cost of operations to March 31, 2018.

OFFICE OF THE ETHICS COMMISSIONER
Notes to the Financial Statements
Year Ended March 31, 2018

NOTE 4 TANGIBLE CAPITAL ASSETS

	Office Equipment and Furniture	Computer Hardware and Software	Total
Estimated Useful Life	10 years	3 years	
Historical Cost			
Beginning of year	\$ 28,517	\$ 218,212	\$ 246,729
Additions	-	-	-
	\$ 28,517	\$ 218,212	\$ 246,729
Accumulated Amortization			
Beginning of year	\$ 23,299	\$ 218,212	\$ 241,511
Amortization Expense	2,238	-	2,238
	\$ 25,537	\$ 218,212	\$ 243,749
Net Book value at March 31, 2018	\$ 2,980	\$ -	\$ 2,980
Net Book value at March 31, 2017	\$ 5,218	\$ -	\$ 5,218

OFFICE OF THE ETHICS COMMISSIONER

Notes to the Financial Statements

Year ended March 31, 2018

NOTE 5 CONTRACTUAL OBLIGATIONS

Contractual obligations are obligations of the Office to others that will become liabilities in the future when the terms of the contracts or agreements are met.

As at March 31, 2018, the Office has the following contractual obligations:

	<u>2018</u>	<u>2017</u>
Obligations under Operating Leases	\$ 1,472	\$ 6,342
Parking Stall	3,060	3,060
Obligations under Contract:		
Annual Maintenance Costs	157,658	213,302
	<u>\$ 162,190</u>	<u>\$ 222,704</u>

Estimated payment requirements for each of the next three years are as follows:

	Obligations under Operating Leases	Parking Stall	Obligations for Annual Maintenance Costs	Total
2018-19	\$ 1,472	\$ 3,060	\$ 55,644	\$ 60,176
2019-20	-	-	55,644	55,644
2020-21	-	-	46,370	46,370
Total	<u>\$ 1,472</u>	<u>\$ 3,060</u>	<u>\$ 157,658</u>	<u>\$ 162,190</u>

OFFICE OF THE ETHICS COMMISSIONER
Notes to the Financial Statements
March 31, 2018

NOTE 6 BENEFIT PLANS

The Office participates in the multi-employer pension plans: Management Employees Pension Plan (MEPP), Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$61,434 for the year ended March 31, 2018 (2017 - \$70,799). The Office is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2017, the Management Employees Pension Plan reported a surplus of \$866,006,000 (2016 – surplus \$402,033,000), the Public Service Pension Plan reported a surplus of \$1,275,843,000 (2016 - surplus \$302,975,000), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$54,984,000 (2016 – deficit \$50,020,000).

The Office also participates in a multi-employer Long Term Disability Income Continuance Plan. At March 31, 2018, the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$29,805,000 (2017 – surplus \$31,439,000). The expense for this plan is limited to the employer's annual contributions for the year.

NOTE 7 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Ethics Commissioner.

**OFFICE OF THE ETHICS COMMISSIONER
SCHEDULE TO FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
Year Ended March 31, 2018**

Schedule 1

	2018			2017
	Base Salary (a)	Other Cash Benefits (b)	Other Non-Cash Benefits (c)	Total
Senior Official				
Ethics Commissioner	<u>\$ 180,188</u>	<u>\$ 25,891</u>	<u>\$ 7,553</u>	<u>\$ 213,632</u>
				<u>\$ 206,088</u>

- (a) The Commissioner held a 0.8 position from April 1 to December 31, 2017, and a full- time position from January 1 to March 31, 2018.
- (b) Other cash benefits include vehicle allowance and payment in lieu of pension contributions. There were no bonuses paid in fiscal 2018.
- (c) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of the Commissioner, including group life insurance, short and long term disability plans, professional membership, Health Spending Account, and fair market value of \$2,909 (2017 - \$2,909) for parking. The Commissioner did not contribute to the pension plans.

OFFICE OF THE ETHICS COMMISSIONER
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
Year ended March 31, 2018

Schedule 2

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the Office and their close family members.

The Office and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Office had the following transactions with related parties reported on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties.

	Other Entities	
	2018	2017
Expenses - Directly Incurred		
Other Services	\$ 912	\$ 1,258
Total	<u>\$ 912</u>	<u>\$ 1,258</u>

The Office also had transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 3.

**OFFICE OF THE ETHICS COMMISSIONER
 SCHEDULE TO FINANCIAL STATEMENTS
 ALLOCATED COSTS
 Year Ended March 31, 2018**

Schedule 3

	<u>2018</u>				<u>2017</u>	
	<u>Expenses - Incurred by Others</u>					
Program	<u>Expenses (a)</u>	<u>Accommodation Costs (b)</u>	<u>Telephone Costs (c)</u>	<u>Business Services (d)</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
Operations	<u>\$ 875,252</u>	<u>\$ 71,115</u>	<u>\$ 2,354</u>	<u>\$ 6,000</u>	<u>\$ 954,721</u>	<u>\$ 1,092,669</u>

- (a) Expenses - Directly Incurred as per Statement of Operations.
- (b) Accommodation Cost, including grants in lieu of taxes, allocated by square footage.
- (c) Telephone Costs are for line charges.
- (d) Business Services include charges for information technology support and financial services.