

## Independent Auditor's Report



To the Members of the Legislative Assembly

### Report on the Financial Statements

#### Opinion

I have audited the financial statements of the Office of the Ethics Commissioner, which comprise the statement of financial position as at March 31, 2019, and the statements of operations, change in net debt, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Office of the Ethics Commissioner as at March 31, 2019, and the results of its 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

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Office of the Ethics Commissioner in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

## **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 the 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 Office of the Ethics Commissioner'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 an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Office of the Ethics Commissioner's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

My 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 my 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 these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Office of the Ethics Commissioner'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 Office of the Ethics Commissioner's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Office of the Ethics Commissioner 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.

I 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 I identify during my audit.

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

June 24, 2019  
Edmonton, Alberta

**OFFICE OF THE ETHICS COMMISSIONER**  
**STATEMENT OF OPERATIONS**  
Year Ended March 31, 2019

	<u>2019</u>		<u>2018</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>EXPENSES - Directly Incurred</b>			
<b>(Note 3(b) and Schedule 3)</b>			
Salaries, Wages and Employee Benefits	\$ 748,000	\$ 730,103	\$ 687,391
Supplies and Services	222,000	181,870	185,623
Amortization of Tangible Capital Assets (Note 4)	<u>10,000</u>	<u>1,429</u>	<u>2,238</u>
<b>Total Program - Operations</b>	<u>\$ 980,000</u>	<u>\$ 913,402</u>	<u>\$ 875,252</u>
<b>Cost of Operations</b>	<u>\$ (980,000)</u>	<u>\$ (913,402)</u>	<u>\$ (875,252)</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, 2019**

	<u>2019</u>	<u>2018</u>
<b>Financial Asset</b>		
Accounts Receivable	\$ -	\$ 4
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	22,763	29,929
Accrued Vacation Pay	78,050	72,356
	<u>100,813</u>	<u>102,285</u>
<b>Net Debt</b>	<u>(100,813)</u>	<u>(102,281)</u>
<b>Non-Financial Assets</b>		
Tangible Capital Assets (Note 4)	1,551	2,980
	<u>1,551</u>	<u>2,980</u>
<b>Net Liabilities</b>	<u>\$ (99,262)</u>	<u>\$ (99,301)</u>
<b>Net Liabilities at Beginning of Year</b>	\$ (99,301)	\$ (96,461)
Cost of Operations	(913,402)	(875,252)
Net Financing Provided from General Revenues	913,441	872,412
<b>Net Liabilities at End of Year</b>	<u>\$ (99,262)</u>	<u>\$ (99,301)</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, 2019**

	<u>2019</u>		<u>2018</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Cost of Operations</b>	\$ (980,000)	\$ (913,402)	\$ (875,252)
Amortization of Tangible Capital Assets (Note 4)	10,000	1,429	2,238
Net Financing Provided from General Revenue		<u>913,441</u>	<u>872,412</u>
<b>Decrease (Increase ) in Net Debt</b>		\$ 1,468	\$ (602)
<b>Net Debt at Beginning of Year</b>		<u>(102,281)</u>	<u>(101,679)</u>
<b>Net Debt at End of Year</b>		<u>\$ (100,813)</u>	<u>\$ (102,281)</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, 2019**

	<u>2019</u>	<u>2018</u>
<b>Operating Transactions</b>		
Cost of Operations	\$ (913,402)	\$ (875,252)
Non-Cash Items Included in Cost of Operations:		
Amortization of Tangible Capital Assets (Note 4)	1,429	2,238
Valuation Adjustments	<u>5,694</u>	<u>807</u>
	(906,279)	(872,207)
Decrease (Increase) in Accounts Receivable	4	(4)
Decrease in Accounts Payable and Accrued Liabilities	<u>(7,166)</u>	<u>(201)</u>
Cash Applied to Operating Transactions	<u>(913,441)</u>	<u>(872,412)</u>
<b>Financing Transactions</b>		
Net Financing Provided from General Revenues	<u>913,441</u>	<u>872,412</u>
<b>Increase in Cash</b>	-	-
<b>Cash at Beginning of Year</b>	-	-
<b>Cash at End of Year</b>	<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, 2019

### 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 adopted PS 3430 Restructuring Transactions effective April 1, 2018. The adoption of this standard has no material impact on the financial statements of the Office.

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, 2019**

**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, 2019**

**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 cost less accumulated amortization 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 required from General Revenues to finance the Office's cost of operations to March 31, 2019.

**OFFICE OF THE ETHICS COMMISSIONER**

Notes to the Financial Statements

Year Ended March 31, 2019

**NOTE 4 TANGIBLE CAPITAL ASSETS**

	Office Equipment and Furniture	Computer Hardware and Software	2019 Total	2018 Total
<b>Estimated Useful Life</b>	10 years	3 years		
<b>Historical Cost</b>				
Beginning of year	\$ 28,517	\$ 218,212	\$ 246,729	\$ 246,729
Additions	-	-	-	-
Disposals	(17,924)	-	(17,924)	-
	<u>\$ 10,593</u>	<u>\$ 218,212</u>	<u>\$ 228,805</u>	<u>\$ 246,729</u>
<b>Accumulated Amortization</b>				
Beginning of year	\$ 25,537	\$ 218,212	\$ 243,749	\$ 241,511
Amortization Expense	1,429	-	1,429	2,238
Effect of Disposals	(17,924)	-	(17,924)	-
	<u>\$ 9,042</u>	<u>\$ 218,212</u>	<u>\$ 227,254</u>	<u>\$ 243,749</u>
<b>Net Book value at March 31, 2019</b>	<u>\$ 1,551</u>	<u>\$ -</u>	<u>\$ 1,551</u>	
<b>Net Book value at March 31, 2018</b>	<u>\$ 2,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,980</u>

**OFFICE OF THE ETHICS COMMISSIONER**  
**Notes to the Financial Statements**  
**Year ended March 31, 2019**

**NOTE 5 CONTRACTUAL OBLIGATIONS**

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

As at March 31, 2019, the Office has the following contractual obligations:

	<u>2019</u>	<u>2018</u>
Obligations under Operating Leases	\$ 3,188	\$ 1,472
Parking Stall	3,060	3,060
Obligations under Contract:		
Annual Maintenance Costs	<u>102,014</u>	<u>157,658</u>
	<u>\$ 108,262</u>	<u>\$ 162,190</u>

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

	Obligations under Operating Leases	Parking Stall	Obligations for Annual Maintenance Costs	Total
2019-20	\$ 1,913	\$ 3,060	\$ 55,644	\$ 60,617
2020-21	1,275	-	46,370	47,645
Total	<u>\$ 3,188</u>	<u>\$ 3,060</u>	<u>\$ 102,014</u>	<u>\$ 108,262</u>

**OFFICE OF THE ETHICS COMMISSIONER**  
**Notes to the Financial Statements**  
**March 31, 2019**

**NOTE 6 BENEFIT PLANS**

The Office participates in the multi-employer pension plans: Management Employees Pension Plan (MEPP), Public Service Pension Plan (PSPP) and Supplementary Retirement Plan for Public Service Managers (SRP). The expense for these pension plans is equivalent to the annual contributions of \$66,933 for the year ended March 31, 2019 (2018 - \$61,434). The Office is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2018, the MEPP reported a surplus of \$670,700,000 (2017: surplus \$866,006,000), the PSPP reported a surplus of \$519,218,000 (2017: surplus \$1,275,843,000), and the SRP reported a deficiency of \$70,310,000 (2017: deficit \$54,984,000).

The Office also participates in a multi-employer Long Term Disability Income Continuance Plan. At March 31, 2019, the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$24,642,000 (2018: surplus \$29,805,000). The expense for this plan is limited to the employer's annual contributions for the year.

**NOTE 7 COMPARATIVE FIGURES**

Certain 2018 figures have been reclassified to conform to the 2019 presentation.

**NOTE 8 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, 2019**

**Schedule 1**

	2019			2018	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non-Cash Benefits <sup>(3)</sup>	Total	Total Restated
<b>Senior Official</b>					
Ethics Commissioner <sup>(4)</sup>	\$ 180,188	\$ 7,969	\$ 7,743	\$ 195,900	\$ 213,632
Chief Administrative Officer	152,702	-	37,162	189,864	178,212
<b>Total</b>	<u>\$ 332,890</u>	<u>\$ 7,969</u>	<u>\$ 44,905</u>	<u>\$ 385,764</u>	<u>\$ 391,844</u>

- (1) Base salary includes regular salary and earnings such as acting pay.
- (2) Other Cash Benefits include vacation pay-outs and lump-sum payments. The Ethics Commissioner received Other Cash Benefits in 2019 for vehicle allowance; and in 2018, vehicle allowance for full year and payment in lieu of pension contributions for the period April 1, 2017 to December 31, 2017. There were no bonuses paid in fiscal 2019.
- (3) Other Non-Cash Benefits includes all employee benefits and contributions or payments made on behalf of the employees including pension, supplementary retirement plans, health spending account, dental coverages, group life insurance, short- and long-term disability plans, professional memberships, tuition fees, and parking. The Ethics Commissioner receives benefits only for group life insurance, and professional memberships.
- (4) The Ethics Commissioner held a full-time position from April 1, 2018 to June 30, 2018 and a 0.8 position from July 1, 2018 to March 31, 2019. For 2018, the Ethics Commissioner held a 0.8 position from April 1, 2017 to December 31, 2017 and a full-time position from January 1, 2018 to March 31, 2018.

**OFFICE OF THE ETHICS COMMISSIONER  
 SCHEDULE TO FINANCIAL STATEMENTS  
 RELATED PARTY TRANSACTIONS  
 Year ended March 31, 2019**

**Schedule 2**

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's Consolidated 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	
	2019	2018
<b>Expenses - directly incurred</b>		
Other Services	\$ 1,008	\$ 912
<b>Total</b>	<b>\$ 1,008</b>	<b>\$ 912</b>

The Office shares information technology (IT) with other Legislative Offices. In 2019, the Office of the Child and Youth Advocate upgraded the capital IT infrastructure. The Office receives ongoing benefits from the use of the new infrastructure, but incurred no cost.

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 reported 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, 2019**

**Schedule 3**

Program	2019				2018	
	Expenses - Incurred by Others				Total Expenses	Total Expenses
	Expenses (1)	Accommodation Costs (2)	Telephone Costs (3)	Business Services (4)		
Operations	\$ 913,402	\$ 73,876	\$ 2,354	\$ 6,000	\$ 995,632	\$ 954,721

- (1) Expenses - Directly Incurred as per Statement of Operations.
- (2) Costs shown for Accommodation include grants in lieu of taxes, allocated by square footage.
- (3) Telephone Costs are the line charges for all phone numbers.
- (4) Business Services include charges for information technology support and financial services.