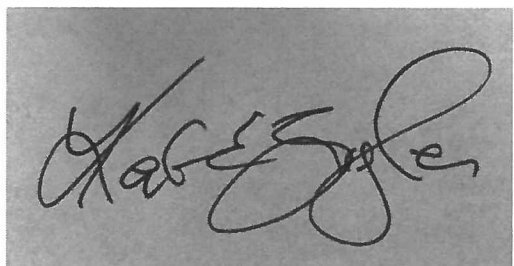


Office of the Ethics Commissioner

Financial Statements
Year Ended March 31, 2021



Hon. Marguerite Trussler
Ethics Commissioner



Kent Ziegler
Chief Administrative Officer

OFFICE OF THE ETHICS COMMISSIONER

FINANCIAL STATEMENTS

Year ended March 31, 2021

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

Schedule 1 – Salary and Benefits Disclosure

Schedule 2 – Related Party Transactions

Schedule 3 – Allocated Costs

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 (the OEC), which comprise the statement of financial position as at March 31, 2021, 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 OEC as at March 31, 2021, 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 OEC 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 OEC'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 OEC'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 OEC'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 OEC'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 OEC 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 25, 2021
Edmonton, Alberta

OFFICE OF THE ETHICS COMMISSIONER
STATEMENT OF OPERATIONS
Year Ended March 31, 2021

	<u>2021</u>		<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUES			
Refund of prior year expenses	\$ -	\$ 1,951	\$ -
Total Revenues	<u>-</u>	<u>1,951</u>	<u>-</u>
EXPENSES - Directly Incurred			
(Note 3(b) and Schedule 3)			
Salaries, Wages and Employee Benefits	725,000	737,189	711,441
Supplies and Services	214,500	124,125	124,014
Amortization of Tangible Capital Assets (Note 5)	3,000	12,896	620
Total Program - Operations	<u>942,500</u>	<u>874,210</u>	<u>836,075</u>
Net Cost of Operations	<u>\$ (942,500)</u>	<u>\$ (872,259)</u>	<u>\$ (836,075)</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, 2021

	<u>2021</u>	<u>2020</u>
Financial Asset		
Accounts Receivable	\$ -	\$ 107
Liabilities		
Accounts Payable and Other Accrued Liabilities	35,974	66,272
Accrued Vacation Pay	100,472	76,047
	<u>136,446</u>	<u>142,319</u>
Net Debt	<u>(136,446)</u>	<u>(142,212)</u>
Non-Financial Assets		
Tangible Capital Assets (Note 5)	37,136	50,032
	<u>37,136</u>	<u>50,032</u>
Net Liabilities	<u>\$ (99,310)</u>	<u>\$ (92,180)</u>
Net Liabilities at Beginning of Year	\$ (92,180)	\$ (99,262)
Net Cost of Operations	(872,259)	(836,075)
Net Financing Provided from General Revenues	865,129	843,157
Net Liabilities at End of Year	<u>\$ (99,310)</u>	<u>\$ (92,180)</u>

Contractual Obligations (Note 6)

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, 2021**

	<u>2021</u>		<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Net Cost of Operations	\$ (942,500)	\$ (872,259)	\$ (836,075)
Acquisition of Tangible Capital Assets (Note 5)	-	-	(49,101)
Amortization of Tangible Capital Assets (Note 5)	3,000	12,896	620
Net Financing Provided from General Revenues		<u>865,129</u>	<u>843,157</u>
Decrease/(Increase) in Net Debt		\$ 5,766	\$ (41,399)
Net Debt at Beginning of Year		<u>(142,212)</u>	<u>(100,813)</u>
Net Debt at End of Year		<u>\$ (136,446)</u>	<u>\$ (142,212)</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, 2021

	<u>2021</u>	<u>2020</u>
Operating Transactions		
Net Cost of Operations	\$ (872,259)	\$ (836,075)
Non-Cash Items Included in Net Cost of Operations:		
Amortization of Tangible Capital Assets (Note 5)	12,896	620
Valuation Adjustments	<u>24,425</u>	<u>(2,003)</u>
	(834,938)	(837,458)
Decrease/(Increase) in Accounts Receivable	107	(107)
(Decrease)/Increase in Accounts Payable and Other Accrued Liabilities	<u>(30,298)</u>	<u>43,509</u>
Cash Applied to Operating Transactions	<u>(865,129)</u>	<u>(794,056)</u>
Capital Transactions		
Acquisition of Tangible Capital Assets (Note 5)	<u>-</u>	<u>(49,101)</u>
Cash Applied to Capital Transactions	<u>-</u>	<u>(49,101)</u>
Financing Transactions		
Net Financing Provided from General Revenues	<u>865,129</u>	<u>843,157</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, 2021**

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 cost of 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, Deputy Ministers, chief executives of 27 agencies, boards and commissions and political staff members by providing advice and guidance to them regarding their private interests in relation to their public responsibilities. The Office conducts investigations into allegations of conflicts of interest against Members, Deputy Ministers and chief executives of select agencies, boards and commissions and promotes the understanding by these people and the public of the obligations regarding conflict of interest contained in legislation or directive. The Office of the Ethics Commissioner also reviews and approves the Codes of Conduct for 104 agencies, boards and commissions.

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 PS3450 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 remeasurement gains and losses.

**OFFICE OF THE ETHICS COMMISSIONER
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021**

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

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.

Financial assets are financial claims such as advances to and receivables from other organizations, employees and other individuals.

Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

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.

**OFFICE OF THE ETHICS COMMISSIONER
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021**

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

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.

Non-financial assets include tangible capital assets.

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.

Amortization is only charged when the tangible capital asset is put into service.

(c) Net Debt

Net Debt indicates additional cash required from General Revenues to finance the Office's cost of operations to March 31, 2021.

NOTE 4 FUTURE CHANGES IN ACCOUNTING STANDARDS

The Public Sector Accounting Board has approved the following accounting standards:

- **PS 3280 Asset Retirement Obligations (effective April 1, 2022)**

This standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

- **PS 3400 Revenue (effective April 1, 2023)**

This standard provides guidance on how to account for and report on revenue, and specifically, it differentiates between revenue arising from exchange and non-exchange transactions.

The Office has not yet adopted these standards. Management is currently assessing the impact of these standards on the financial statements.

**OFFICE OF THE ETHICS COMMISSIONER
NOTES TO THE FINANCIAL STATEMENTS
Year Ended March 31, 2021**

NOTE 5 TANGIBLE CAPITAL ASSETS

	Estimated Useful Life	Office			2021 Total	2020 Total
		Leasehold Improvements	Equipment and Furniture	Computer Hardware and Software		
	4 years		10 years	3 years		
Historical Cost						
Beginning of year		\$ 49,101	\$ 10,593	\$ 173,561	\$ 233,255	\$ 228,806
Additions		-	-	-	-	49,101
Disposals		-	-	-	-	(44,652)
		<u>49,101</u>	<u>10,593</u>	<u>173,561</u>	<u>233,255</u>	<u>233,255</u>
Accumulated Amortization						
Beginning of year		-	9,662	173,561	183,223	227,255
Amortization Expense		12,276	620	-	12,896	620
Effect of Disposals		-	-	-	-	(44,652)
		<u>12,276</u>	<u>10,282</u>	<u>173,561</u>	<u>196,119</u>	<u>183,223</u>
Net Book value at March 31, 2021		<u>\$ 36,825</u>	<u>\$ 311</u>	<u>\$ -</u>	<u>\$ 37,136</u>	
Net Book value at March 31, 2020		<u>\$ 49,101</u>	<u>\$ 931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,032</u>

**OFFICE OF THE ETHICS COMMISSIONER
NOTES TO THE FINANCIAL STATEMENTS
Year Ended March 31, 2021**

NOTE 6 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, 2021, the Office has the following contractual obligations:

	<u>2021 ⁽¹⁾</u>	<u>2020</u>
Obligations under Operating Leases:		
Xerox Photocopier	\$ 1,913	\$ 1,275
Obligations under Contract:		
Annual Maintenance Costs	<u>54,264</u>	<u>46,370</u>
	<u>\$56,177</u>	<u>\$47,645</u>

- (1) Estimated payments for the unexpired terms of these contractual obligations are all due no later than March 31, 2022.

**OFFICE OF THE ETHICS COMMISSIONER
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2021**

NOTE 7 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 \$55,620 for the year ended March 31, 2021 (2020 - \$63,987). The Office is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2020, the MEPP reported a surplus of \$809,850,000 (2019: surplus \$1,008,135,000), the PSPP reported a surplus of \$2,223,582,000 (2019: surplus \$2,759,320,000), and the SRP reported a deficit of \$59,972,000 (2019: deficit \$44,698,000).

The Office also participates in a multi-employer Long Term Disability Income Continuance Plan. At March 31, 2021, the Management, Opted Out and Excluded Plan reported a surplus of \$7,858,000 (2020: surplus \$11,635,000). The expense for this plan is limited to the employer's annual contributions for the year.

NOTE 8 BUDGET

The budget shown on the statement of operations is based on the budgeted expenses that the all-party Standing Committee on Legislative Offices approved on November 29, 2019. The following table compares the Office's actual expenditures, excluding non-voted amounts such as amortization to the approved budgets:

	<u>Voted Budget</u>	<u>Actual</u>	<u>Unexpended</u>
Operating Expenditures	\$ 939,500	\$ 861,314	\$ (78,186)
	<u>\$ 939,500</u>	<u>\$ 861,314</u>	<u>\$ (78,186)</u>

NOTE 9 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, 2021**

Schedule 1

	2021			2020
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total
Senior Official				
Ethics Commissioner ⁽⁴⁾	\$181,197	\$ 4,299	\$ 5,391	\$190,887
Chief Administrative Officer	153,290	-	31,210	184,500
Total	<u>\$334,487</u>	<u>\$ 4,299</u>	<u>\$ 36,601</u>	<u>\$375,387</u>

- (1) Base salary includes regular salary and earnings such as acting pay.
- (2) Other Cash Benefits include vacation payouts and lump-sum payments. The Ethics Commissioner received Other Cash Benefits for vehicle allowance. There were no payments for bonuses or amounts in lieu of pension contributions.
- (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 for parking, Blue Cross Health Spending Account, conference fees, and professional memberships.
- (4) The Ethics Commissioner held a 0.8 position for the 2021 fiscal year April 1, 2020 to March 31, 2021.

**OFFICE OF THE ETHICS COMMISSIONER
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
Year Ended March 31, 2021**

Schedule 2

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta 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, licences 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	
	2021	2020
Expenses - directly incurred		
Other Services	\$ 790	\$ 1,302
Total	\$ 790	\$ 1,302

The Office shared information technology (IT) with other Legislative Offices until March 31, 2021 at which time the Office migrated to its own Microsoft 365 environment. Up until March 31, 2021 the Office of the Child and Youth Advocate provided shared capital IT infrastructure. The Office received ongoing benefits from the upgraded infrastructure, but incurred no capital 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, 2021

Schedule 3

	2021				2020	
	<u>Expenses - Incurred by Others</u>					
Program	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Telephone Costs ⁽³⁾	Business Services ⁽⁴⁾	Total Expenses	Total Expenses
Operations	\$ 874,210	\$ 91,885	\$ 2,775	\$ 2,799	\$ 971,669	\$ 933,564

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