

Financial statements

Office of the Senate Ethics Officer

March 31, 2016



Building a better
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Statement of management's responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2016 and all information contained in these financial statements rests with the management of the Office of the Senate Ethics Officer. These financial statements have been prepared based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the financial transactions of the Office of the Senate Ethics Officer.

Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with prescribed regulations and within Parliamentary authorities.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Office of the Senate Ethics Officer.

These financial statements have been audited by Ernst & Young LLP, the independent auditors of the Office of the Senate Ethics Officer.



Lyse Ricard
Senate Ethics Officer and Chief Financial Officer



Nathalie Charpentier, CPA, CGA
Deputy Chief Financial Officer

June 21, 2016

Independent auditors' report

To the Senate Ethics Officer
Office of the Senate Ethics Officer

We have audited the accompanying financial statements of the **Office of the Senate Ethics Officer**, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and net financial position 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 auditors' 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 auditors consider 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Office of the Senate Ethics Officer** as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Ernst & Young LLP

Ottawa, Canada
June 21, 2016

Chartered Professional Accountants
Licensed Public Accountants



Office of the Senate Ethics Officer

Statement of financial position

As at March 31

	2016	2015
	\$	\$
Liabilities		
Accounts payable and accrued liabilities <i>[note 7]</i>	118,438	67,247
Vacation pay and compensatory leave	19,083	20,424
Total liabilities	137,521	87,671
Financial assets		
Due from the Consolidated Revenue Fund	93,959	43,109
Accounts receivable and advances <i>[note 6]</i>	29,154	24,596
Total financial assets	123,113	67,705
Net debt	14,408	19,966
Non-financial assets		
Prepaid expenses	3,708	3,708
Total non-financial assets	3,708	3,708
Net financial position	10,700	16,258

See accompanying notes

Office of the Senate Ethics Officer

Statement of operations and net financial position

For the year ended March 31

	Budget	2016	2015
	\$	\$	\$
Expenses			
Salaries and employee benefits	759,200	739,596	692,229
Accommodation	125,631	125,631	124,193
Professional and special services	350,000	55,498	21,889
Printing and communication	24,000	2,665	3,539
Rentals, repairs and maintenance	12,000	10,629	6,799
Utilities, material and supplies	13,500	6,228	6,317
Travel	10,000	1,176	2,418
Total expenses and net cost of operations	1,294,331	941,423	857,384
Government funding			
Net cash provided by Government of Canada		719,820	711,859
Change in due from the Consolidated Revenue Fund		50,850	(8,736)
Services provided without charge from federal government departments <i>[note 5]</i>		176,311	168,850
Transfer of accounts receivable to Public Works and Government Services Canada		—	(12,855)
Total Government funding		946,981	859,118
Net cost of operations after Government funding		(5,558)	(1,734)
Net financial position – beginning of year		16,258	17,992
Net financial position – end of year		10,700	16,258

See accompanying notes

Office of the Senate Ethics Officer

Statement of cash flows

Year ended March 31

	2016	2015
	\$	\$
Operating activities		
Total net cost of operations	941,423	857,384
Non-cash item		
Services provided without charge from federal government departments	(176,311)	(168,850)
Transition payments for implementing salary payments in arrears	—	12,855
	<u>765,112</u>	<u>688,534</u>
Change in non-cash working capital related to operations		
Increase in accounts receivable and advances	4,558	10,459
Increase in prepaid expenses	—	3,708
(Increase) in accounts payable and accrued liabilities	(51,191)	(1,821)
Decrease (increase) in vacation pay and compensatory leave	1,341	(1,876)
Cash used in operating activities	<u>719,820</u>	<u>699,004</u>
Net cash provided by Government of Canada	<u>719,820</u>	<u>699,004</u>

See accompanying notes

Office of the Senate Ethics Officer

Notes to financial statements

March 31, 2016

1. Authority and objectives

The Office of the Senate Ethics Officer [the "Office"] was created by an *Act to amend the Parliament of Canada Act and other Acts in consequence*. The mandate is to administer and interpret the *Conflict of Interest Code for Senators* (renamed *Ethics and Conflict of Interest Code for Senators*) which was adopted by the Senate on May 18, 2005 and amended in 2008, 2012 and 2014.

The Senate Ethics Officer's mandate involves five major areas: opinions and advice, disclosures, inquiries, communication and information and administration of the Office.

For the purposes of these financial statements, all activities mentioned above are included in the activities of the Office.

2. Summary of significant accounting policies

These financial statements have been prepared following Canadian public sector accounting standards.

Parliamentary authorities

The Office is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Office does not parallel financial reporting according to Canadian public sector accounting standards since authorities are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and net financial position and the statement of financial position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting.

Net cash provided from the Consolidated Revenue Fund

The Office operates within the Consolidated Revenue Fund ["CRF"] which is administered by the Receiver General for Canada. All cash received by the Office is deposited to the CRF and all cash disbursements made by the Office are paid from the CRF. The net cash provided from the CRF is the difference between all cash receipts and all cash disbursements including transactions between departments of all Government of Canada.

Amount due from the Consolidated Revenue Fund

The amounts due from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Office is entitled to draw from the CRF without further authorities to discharge its liabilities.

Accounts receivable and advances

Accounts receivable and advances are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

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March 31, 2016

Expenses

Expenses are recorded on the accrual basis:

- [i] Vacation pay and compensatory leave are expensed as the benefits accrued to employees under their respective terms of employment;
- [ii] Services provided without charge by federal government departments for accommodation and the employer's contribution to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

Employee future benefits

Pension benefits: eligible employees participate in the Public Service Pension Plan ["Plan"] which is sponsored and administered by the Government of Canada. Assets and liabilities for pension benefits are not included in the Office's statement of financial position, as this is the responsibility of the Government of Canada. The Office's contributions to the Plan are charged to salaries and employee benefits in the year incurred and represent the total obligation of the Office to the Plan. Current legislation does not require the Office to make contributions for any actuarial deficiencies of the Plan. Actuarial surpluses or deficiencies are not recorded in the Office's books as they are recognized in the consolidated financial statements of the Government of Canada.

Tangible capital assets

All tangible capital assets having an initial cost of \$2,000 or more are recorded at their acquisition cost. The Office amortizes capital assets on a straight-line basis over the estimated useful life of the capital asset as follows:

Asset Class	Amortization Period
Computer software	5 years
Informatics hardware	3 years
Other equipment	5 years

Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities and expenses reported in the financial statements. At the time of preparation of these financial statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

Office of the Senate Ethics Officer

Notes to financial statements

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3. Parliamentary authorities

The Office receives most of its funding through annual Parliamentary authorities. Items recognized in the statement of operations and net financial position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the net results of the Office differ depending on whether they are presented using the government funding basis or an accrual basis. The differences are reconciled in the following tables:

[a] Reconciliation of net cost of operations to current year authorities used:

	2016 \$	2015 \$
Total expenses and net cost of operations	941,423	857,384
Adjustments for items affecting net cost of operations but not affecting authorities:		
Add (deduct):		
Services provided without charge from federal government departments	(176,311)	(168,850)
Increase in accounts receivable and advances	4,558	10,459
Increase in prepaid expenses	—	3,708
(Increase) in accounts payable and accrued liabilities	(51,191)	(1,821)
Decrease (increase) in vacation pay and compensatory leave	1,341	(1,876)
Sub-total	719,820	699,004
Adjustments for items not affecting total cost of operations but affecting authorities		
Transition payments for implementing salary payments in arrears	—	12,855
Current year authorities used	719,820	711,859

[b] Authorities provided and used:

	2016 \$	2015 \$
Vote 20 – Operating expenditures	1,059,500	1,059,500
Statutory amounts to employee benefits plans	84,858	83,194
	1,144,358	1,142,694
Less		
Lapsed authorities: operating	(424,538)	(430,835)
Current year authorities used	719,820	711,859

Office of the Senate Ethics Officer

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March 31, 2016

4. Employee future benefits

Pension benefits: the Office's employees participate in the Plan, which is sponsored and administered by the Government of Canada. Pensions benefits accrue up to a maximum period of 35 years at a rate of 2% per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plan benefits and they are indexed to inflation.

Both the employees and the Office contribute to the cost of the Public Service Pension Plan. The 2016 expense amounts to \$58,493 [2015 – \$56,872], which represents approximately 1.4 times [2015 – 1.9 times] the contributions by employees.

The Office's responsibility with regards to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada.

5. Related party transactions

The Office is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada are not included in the Office's statement of operations and net financial position.

[a] Common services provided without charge by federal government departments

There are other types of services that are considered to be part of the normal course of operations because they are not consistently provided without charge to all departments. These services include accommodation and certain employee benefits. The costs of these services have been included in the Office's statement of operations and net financial position in the following amounts:

	2016	2015
	\$	\$
Services provided without charge		
Accommodation	125,631	124,193
Employer's contributions to the health insurance and dental insurance plans	50,680	44,657
Total	176,311	168,850

Office of the Senate Ethics Officer

Notes to financial statements

March 31, 2016

[b] Other transactions with related parties

The Senate of Canada provides services to, and purchases goods and services on behalf of the Office. The costs of these goods and services are included in these financial statements. The cost of services provided by the Senate of Canada to the Office was \$35,248 [2015 – \$24,342].

The following table discloses amounts in accounts receivable and accounts payable with federal government departments and agencies:

	2016	2015
	\$	\$
Accounts receivable	28,904	24,346
Accounts payable	18,961	1,006

6. Accounts receivable and advances

The following table presents details of the Office's accounts receivable and advances balances:

	2016	2015
	\$	\$
Accounts receivable – other government departments and agencies	28,904	24,346
Advances	250	250
Total accounts receivable and advances	29,154	24,596

7. Accounts payable and accrued liabilities

The following table presents details of the Office's accounts payable and accrued liabilities:

	2016	2015
	\$	\$
Accounts payable – other government departments and agencies	18,961	1,006
Accounts payable – external parties	42,729	10,324
Total accounts payable	61,690	11,330
Accrued liabilities	56,748	55,917
Total accounts payable and accrued liabilities	118,438	67,247

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8. Contractual obligations

The Office has multi-year leases for its premises with Public Works and Government Services Canada. These leases are provided without charge to the Office. The estimated future leases are as follow:

	<u>\$</u>
2017	<u>11,628</u>