



Office of the Ethics Commissioner  
Bureau du commissaire à l'éthique

THE 2006-2007  
ANNUAL REPORT  
OF THE ETHICS COMMISSIONER

on activities in relation to  
MEMBERS OF THE HOUSE OF COMMONS  
FOR THE FISCAL YEAR ENDING MARCH 31, 2007



June 2007

Bernard J. Shapiro

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June 19, 2007

The Honourable Peter Milliken  
Speaker of the House of Commons  
The House of Commons  
Ottawa, Ontario K1A 0A6

Dear Mr. Speaker:

Pursuant to section 72.13 (1)(a) of the *Parliament of Canada Act*, I am pleased to submit to you the report of the Ethics Commissioner on activities in relation to Members of the House of Commons for the fiscal year ending March 31, 2007.

This is my third annual report on the activities of the Office of the Ethics Commissioner. As you are aware, I have resigned from my position as Ethics Commissioner effective March 31, 2007. Following the coming into force of the new *Conflict of Interest Act*, the Office of the Conflict of Interest and Ethics Commissioner will replace the Office of the Ethics Commissioner.

In this, my final report, I have included comments on the major activities of the Office during the past year, and identified improvements that the Office has made in its approaches to issues and its operations. Those actions have sought to ensure that we would be properly accountable to Parliament and to Canadians in sustaining and enhancing the ethics regime for Members of the House of Commons.

Yours sincerely,

Bernard J. Shapiro

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**PREFACE**

This report fulfils the statutory requirement (Section 72.13 (1) of the *Parliament of Canada Act*) that, within three months after the end of each fiscal year, the Ethics Commissioner shall submit two reports on his activities for that year. One of these reports, on my activities related to Members of the House of Commons, is to be forwarded to the Speaker of the House of Commons for tabling in the House. The second report, relating to my activities concerning public office holders, is to be forwarded to the Speakers of both the House of Commons and the Senate, who will table the report in the House over which they preside.

## **INTRODUCTION**

This is my third and last annual report in relation to the administration of the *Conflict of Interest Code for Members of the House of Commons* (referred to in this report as “the Members’ Code”). It covers the period from April 1, 2006 to March 31, 2007.

A major focus of this past year’s activities centred on supporting and monitoring compliance with the Members’ Code for Members elected on January 23, 2006. It also included the development of detailed procedural guidelines for the conduct of inquiries, pursuant to section 27 of the Members’ Code.

This report reviews the major activities of the past year, presents general observations in relation to the administration of the Members’ Code, describes some of the new policies and interpretations relative to the Members’ Code, describes the key communications, parliamentary relations and educational activities, and outlines some key challenges ahead with respect to the administration of the Members’ Code.

## **REVIEW OF THE PAST YEAR – MAJOR ACTIVITIES**

### **A. Operations**

#### ***Administering the Conflict of Interest Code for Members of the House of Commons***

During 2006-07, we continued to work with Members to ensure their compliance with the Member’s Code, following the general election that took place on January 23, 2006. Upon publication of each Member’s name in the *Canada Gazette*, the Office initiated the compliance arrangement process under the Members’ Code by informing them of their disclosure obligations. The 60-day time limit within which Members were to provide the Office with new or updated Disclosure Statements with the information required under the Code ended on April 18, 2006.

Once again, I would like to acknowledge the assistance of all party Whips. Their invaluable assistance helped the Office to communicate with Members and led to the timely filing of their disclosures. As a result, by April 21, 2006, only 9% of Members had yet to file the necessary documentation with the Office.

By the end of January 2007, all 308 Members were in compliance with the Members’ Code. Furthermore, two Members who were elected to Parliament in by-elections on November 27, 2006, were also in compliance with the requirements of the Code by March 31, 2007. The *Disclosure Summaries* have been placed in the Public Registry maintained in the Office and available for public viewing during regular office hours.

In addition to contacting all Members to inform them of their obligations under the Code and to ensure compliance, the Office met with some Members to provide advice and guidance. Such meetings were particularly encouraged for newly elected Members. I also issued communiqués and interpretation bulletins (available on our website) to all Members via the parliamentary e-mail system.

### **Policy on Abstention Due to a Private Interest in a Partnership or Corporation**

In order to avoid any perception of real or potential conflict of interest from arising, the Members' Code requires that a Member abstain from debating or voting on an issue in which he or she has a private interest. In response to specific questions raised by some Members, the Office developed a policy (available from our website) in December 2006 on a Member's requirement to abstain from debate or voting because of private interest in a partnership or corporation.

Our interpretation of section 13 on debating and voting by a Member and subsection 3(3) related to private interests is as follows: if a Member's ownership interest in a partnership or corporation (public or private) is considered as "controlling" or "significant", and an issue being considered by the House or a committee could specifically and directly affect his or her private interest in that partnership or corporation (i.e. not of general application or as one of a broad class of the public), then the Member must abstain from debating or voting on that issue. However, the Member in question is not required to abstain from that committee's entire proceedings, rather, he or she only needs to abstain from debating or voting on a specific issue that could be problematic from a conflict of interest perspective.

### ***Inquiries***

Three inquiries were initiated during the period covered by this report. Two arose from requests made by Members of the House, while I initiated a third pursuant to the authority granted to me by subsection 27(4) of the Members' Code. The latter self-initiated inquiry was launched in the 2005-06 fiscal year, but was suspended, pursuant to subsection 29(1)(b) of the Members' Code, when the RCMP informed me that the subject of the inquiry was under their investigation. On January 31, 2007, the RCMP informed the Office that they would not be proceeding with charges. This permitted me to resume and complete the inquiry process.

The reports for the Gallant inquiry (June 2006) and the Vellacott inquiry (June 2006) were concurred in by the House of Commons on September 28 and September 29, 2006 respectively. The report of the third inquiry, the Obhrai inquiry (March 2007), was tabled in the House of Commons on March 30, 2007, and was concurred in by the House of Commons on April 27, 2007.

### **Results of Inquiries**

#### (a) The Gallant Inquiry:

In this case, I examined the words “private interest” as used in section 8 and subsection 10(1) of the Members’ Code in light of the definition of “private interest” provided at subsection 3(2) of the Code. Since none of the six qualifications listed in the subsection applied to the alleged misconduct, I concluded that there was no further substantive basis to proceed with this inquiry.

#### (b) The Vellacott Inquiry:

In this case, I concluded that, although section 15 of the Members’ Code was technically contravened, I found, in accordance with subsection 28(5), that it was a mitigated contravention. The contravention was trivial and “occurred through inadvertence or an error in judgment made in good faith”. Therefore, I recommended that no sanction be imposed.

#### (c) The Obhrai Inquiry:

In this case, I concluded there was no credible evidence in support of the allegations of wrongdoing. As well, in relation to some of the allegations, there was no evidence to indicate that the conduct occurred on or after October 4, 2004 (date on which the Members’ Code came into force), or was initiated before then and continued up to or beyond that date. Clearly, the Code has no *retroactive* effect, however, inquiries can be *retrospective*, that is, if the allegations referred to relate to a conduct which started before but continued beyond October 4, 2004, then it would continue to be considered within the context of the overall inquiry.

### **Summary of Requests Made But Not Pursued**

During the 2006-07 fiscal year, there were ten requests that did not lead to inquiries. These can be divided into the following categories. A few cases involved more than one issue and thus were included in more than one category.

#### (a) Requests by Members of the Public

Five requests were submitted by members of the public. I responded noting that section 27 of the Members’ Code allows only Members of the House of Commons to make requests.

#### (b) Requests Alleging Wrongdoing by Ministers

Four requests from Members of the House sought inquiries under the Members’ Code in relation to actions alleged to have been committed by Ministers of the Crown. In addition



to other comments set out below, I replied that the Members' Code could not be the basis for these requests, as the alleged acts of misconduct were related to the exercise of the executive functions as Ministers, and not to their duties as a Member of the House of Commons.

(c) Reasonable Grounds

In response to three requests for inquiries from Members, I indicated that the requests had not provided reasonable grounds to believe the alleged breach had occurred, as required by subsections 27(1) and (2) of the Members' Code.

(d) Requests beyond the Scope of the Members' Code

A Member of Parliament requested that I investigate the alleged wrongdoing by a Minister of the Crown. I answered stating that I did not have jurisdiction over the issues in question, and that the matter would be more appropriately dealt with under the provisions of the *Privacy Act* or the *Access to Information Act*.

### ***Blind Trusts and Blind Management Agreements***

In October 2004, the Board of Internal Economy approved a recommendation for the reimbursement, by the House of Commons of certain expenses incurred by Members, related to their compliance with the *Conflict of Interest Code for Members of the House of Commons*.

In 2006-2007, there was no recommendation for such reimbursement of costs, since none were requested by Members concerned.

### ***Communications***

During 2006-07, four areas were significant to our communications and outreach activities:

1. The gap between the broad public expectations of the Office and the relatively narrow legislative mandate upon which it operates;
2. A survey of the parliamentary clientele on the Office's services;
3. Networking with our international and federal-provincial-territorial counterparts; and
4. Preparedness for the coming into force of the *Conflict of Interest Act*.

### **The Expectation Gap and Its Educational Challenge**

There is an obvious gap between public expectations and the legislated role of the Ethics Commissioner because of the common view that the Ethics Commissioner is a kind of

federal ombudsperson who can address any citizen's grievance that may have, or seems to have, an ethical element to it. For instance, only 12% of the correspondence received by the Office during 2006-07 was related to issues within my jurisdiction, for which I could provide a substantive response.

However, in meeting the Office's communications challenge, our website has greatly contributed to the provision of information to the public. For instance, in 2006, there were 82,600 visits to our website, from approximately 55,800 different visitors. This represents an average of 226 visitors per day, and almost 7,000 visits per month.

A quick review of the website's hits in 2006 shows that, by far, the inquiry reports involving members of Cabinet were the most visited and downloaded, followed by the *Conflict of Interest and Post-Employment Code for Public Office Holders*, and the report on sponsored travel made by members of the House of Commons.

#### Survey of Services Provided to Members of Parliament

As I did in 2005, I conducted a second survey of MPs in the spring of 2007. We had 53 respondents, which represents approximately 15% of the MP population. The objectives were two-fold: to assess any change with respect to the satisfaction with respect to the Office's services after a second round of compliance by Members, and to identify their concerns and needs for further information or clarification.

With respect to satisfaction level of MPs, the response charts (in percentages) are attached as Appendix V. In relation to concerns and needs for clarification, the two most predominant are disclosure requirements for family members, as well as gifts and hospitality.

Finally, currently, the Members' public summaries statements are only available through the Office. The survey showed no consensus on whether there should be access to Members' public summary statements through the Office's website, as is the case for disclosures from public office holders.

#### Our Networks

As part of the larger Ethics community, the Office has been an active participant in The Council on Governmental Ethics Laws (COGEL), a 200-member international organization drawn primarily from the United States and Canada, with members also in Europe, Australia and Latin America. The Office participated in its December 2006 conference held in New Orleans. Canada will host the next conference, to be held in Victoria from September 16 to 19, 2007.

During 2006-07, the Office received many foreign delegations interested in the administration of conflict of interest regimes for both members of legislatures and public office holders. We participated in the Parliamentary Officers' Study Program sponsored by Parliament for visitors from various Commonwealth countries, and met with delegations from countries including China, Georgia, Pakistan and Tanzania.

At the federal-provincial-territorial level, the Office has been an active participant in the Canadian Conflict of Interest Network (CCOIN), and was represented at its annual conference, held in Iqaluit, Nunavut, from September 7 to 10, 2006. In 2007, the new Office of the Conflict of Interest and Ethics Commissioner will host, jointly with the Senate Ethics Officer and the Vice-President, Office of Values and Ethics, Public Service Human Resources Management Agency of Canada, the annual CCOIN conference to be held in Ottawa from September 13 to 16.

### The Coming into Force of the *Conflict of Interest Act*

Following Royal Assent to the *Federal Accountability Act* on December 12, 2006, much of the Office's activities have centered on preparing for the coming into force of the *Conflict of Interest Act* (part of the *Federal Accountability Act*). Communication activities included the update of information products and briefing materials, and the preparation of various presentations. One of the major initiatives has been the creation of a new website in line with the changes brought about by the Act, including new reporting requirements.

### ***Parliamentary Relations***

The 39<sup>th</sup> Parliament opened on April 3, 2006 and Bill C-2, the *Federal Accountability Act*, which included the *Conflict of Interest Act*, was on the agenda early, with major implications for the Office. I made several recommendations and shared some concerns with Parliamentarians when I appeared on May 16, 2006 before the House of Commons Legislative Committee and again, on September 5, 2006 before the Senate Standing Committee on Constitutional and Legal Affairs.

On April 6, 2006, I provided to the new Standing Committee on Procedure and House Affairs an update on several outstanding issues for its consideration. Among them were: several rules of administration, the new Disclosure Statement form for Members, and a proposed mechanism to track the status of Members' files with respect to their compliance with the Code. However, the most significant proposal was a set of detailed rules and procedures for the inquiries process pursuant to the Members' Code. A summary chart for the proposed inquiry process, for the committee's consideration, is attached as Appendix IV.

On May 9, 2006, I discussed these issues in general and offered the Office's cooperation in reviewing these matters, including as a priority, the proposed inquiry process. On May 20, the House concurred in a report from the Committee which recommended the exclusion of any information related to Members' dependent children's employment in any Member's Public Disclosure Summary. In response, I confirmed on May 25, 2006 that no further inclusion would be made of information related to the place or manner of employment for Members' dependent children, and that any such information previously included in Members' Disclosure Summaries would be removed. Revised summaries were submitted to the Members concerned.

In September 2006, I updated the committee on outstanding business. The committee created a sub-committee on Disclosure Forms under the Members' Code, and it is expected that it will deal with some of the issues I mentioned.

In the spring of 2007, the Office undertook discussions with the Parliamentary Spouses Association. We welcomed the opportunity to address several issues of interest to the parliamentary spouses, as they are also covered by several of the requirements of the Members' Code. The main issues of concern and interest of the spouses were:

1. The key differences between the conflict of interest code for Members of the House of Commons, for public office holders and for Senators;
2. Gifts and other benefits, including travel; and
3. Fundraising.

The Office sent an aide mémoire to the association for inclusion in its monthly bulletin, and made a presentation at the Association's annual general meeting on March 20, 2007.

## **B. Internal Activities**

### ***Expenditures***

In 2006-07, the Office used our full \$5.406 million in approved parliamentary appropriations (see Appendix I). 68.4% of the expenditures was used for salaries, and the remaining was used for operational costs. This is an increase of \$866,502 from 2005-06. The higher costs for professional services are due to the upgrade of our information technology systems and databases as a result of last year's operational review, as well as to respond to the expanded mandate of the Office as provided by the *Conflict of Interest Act*. A supplemental allocation of \$500,000 was also obtained to defray the costs associated with the anticipated coming into force of the *Act*.

Our Office's expenditures were largely allocated to Operations (61%), with Policy at 19% and Communications and Parliamentary Relations at 20%. These percentages include a share of the expenditures incurred by Corporate Services.

Following the practice initiated in 2004-05, the Office has continued with monthly website posting of our financial transactions in order to ensure transparency and accountability in the management of public funds.

#### Memoranda of Understanding (MOUs)

The Office has ongoing memoranda of understanding or service agreements with the House of Commons, the Library of Parliament, and Public Works and Government Services Canada (PWGSC):

The agreement with the House of Commons covers support and maintenance of our computer network, databases, desktops, printers and other peripheral equipment. The annual cost is \$320,219.

The agreement with the Library of Parliament covers financial services. These include accounting operations, main and supplementary estimates, financial reporting, budget and salary management, financial systems, and procurement. The annual cost is \$250,000.

The agreement with PWGSC covers pay and benefits support services. The annual cost is \$44,850.

#### ***Human Resources***

The Office has 35 full-time equivalent (FTE) employees in 2006-07, an increase of one FTE from 2005-06. The workforce has minimal turnover, and demonstrates the diversity expected in relation to employment equity objectives. The organizational chart for the Office is attached as Appendix II.

The Office continues to work toward the development and implementation of internal human resources policies and practices to improve the effectiveness and efficiency of the Office and the quality of the workplace. As part of this effort, the employer-employee committee has continued to make recommendations to the Ethics Commissioner on policies, practices and procedures in human resources management.

The Office has also continued with its effort to be included and identified as a member of the family of parliamentary entities, and to develop more joint initiatives in the human resources management area with the other parliamentary partners. During 2006-07, the staff of the Office became eligible to participate in the House of Commons Language Training and Employment Assistance Programs. In addition, the Office has been identified as a parliamentary entity in the new Employment Opportunity website for parliamentary organizations, along with the House of Commons, the Senate and the Library of Parliament.

## ***Information Technology (IT) Projects***

As a result of the operational review and in order to handle the activities of the new Office, the Office has reviewed its current information technology workflow to reflect new practices and requirements. With the assistance of staff from the House of Commons, our Office has engaged the services of various IT consulting firms to complete a review/analysis of our needs, make recommendations and develop applications. The goal is to improve the way our Office operates and better serve our constituents. The current projects are:

- development of a Leave and Schedule Management System
- enhancements to the Public Registry
- enhancements to the Office's website
- identification and evaluation of a new Case Management (CRM) program
- digitization of records for business recovery purposes and the identification of mergers for other business applications, and
- IT Project Management.

A total of \$413,000 has been spent on these projects during the 2006-07 fiscal year.

## ***Operational Review – Follow-Up***

As a follow-up to the report on the operational review conducted in the fall of 2005, the Office identified five priority projects in early 2006 to implement some operational review recommendations: They were completed in the fall of 2006, with the exception of the information technology project, which is ongoing. A brief description and results from each project follows.

### **1. “Chase and Breach”**

This project reviewed the Office's activities on outreach and follow-up with public office holders to ensure that they meet their reporting obligations. We have since implemented enhancements to these activities, and we have improved the format, frequency and content of our reports on breaches of the Code.

### **2. Life cycle assignment of files**

We have decided that, to the extent possible, one person should have responsibility for the file on an individual public office holder or a Member of the House of Commons from the initial appointment/election of that person to public office through to oversight of his/her post-employment activities. This is expected to allow us to build and sustain good relationships with clients. It should also increase the comfort level of our constituents, since access to their personal and confidential information is being controlled closely.

### **3. Streamlining of delegation of authority**

A streamlined operational approval process to enhance the timeliness of our advice to constituents and the overall efficiency of the Office has been implemented. This process is supported by a new delegation matrix that addresses the risk associated with various files as well as their complexity.

### **4. Use of information technology to enhance office efficiency**

We have mapped out all existing operational processes within the Office, including policy, communication, inquiry and financial processes in the area of blind trusts and blind management agreements. These processes have been used as “building blocks” for the Office’s new client management system.

### **5. Merger of the Executive and Legislative Affairs Branches**

A new structure merging the Executive and the Legislative Affairs Branches into the Operations Branch was incorporated in the proposed organizational chart for the new Office. In the interim, a merged model has been put in place on a pilot basis.

### **Challenges**

Operational improvement is a continuous process that requires the ongoing and conscientious effort of all staff. In light of the requirements to implement the new *Conflict of Interest Act*, some re-thinking and realignment of the projects will be addressed as part of the implementation plan for the Act.

### **CHALLENGES AHEAD**

Looking ahead, a key challenge for the new Office in 2007-08 will be the implementation of the new *Conflict of Interest Act*. As described in previous sections of this report, much effort has been devoted by the Office in the latter part of 2006-07 to prepare for this implementation. Bill C-2 essentially confirms the status quo related to the Commissioner’s roles and responsibilities for the conflict of interest regime for Members of the House of Commons.

### ***Provisions in Bill C-2 Related to Members of the House of Commons***

Bill C-2 provided for new sections to be added to the *Parliament of Canada Act* dealing with Members of the House and trusts. The sections stipulate that no member of the House of Commons may, directly or indirectly, accept any benefit or income from a trust established by reason of his or her position as a member of the House. Contravening the prohibition is a summary conviction offence, with the penalty of a fine between \$500 and \$2000. Members are also required to disclose to the Commissioner every trust from

which he or she could, currently or in the future, either directly or indirectly, derive a benefit or income. The Commissioner must order a trust be terminated, if possible, or at least order that the Member not use any benefit or income for nomination, leadership or election campaign purposes.

Mechanisms will be put in place early in the new fiscal year to ensure that Members are aware of and comply with these new requirements.

### ***Operational Enhancements***

The Office has identified several key areas for operational improvement to support implementation of the *Conflict of Interest Act* and the ongoing administration of the Members' Code, including:

- development of an integrated and efficient information management system to handle increased correspondence and for document filing and tracking;
- development and implementation of a human resource strategy that will enable the Office to recruit, retain and develop staff and foster a continuous learning environment, particularly in light of new skills required in areas such as legal services and inquiries; and
- addressing the need for increased physical infrastructure, including office space, file rooms, information management and associated security measures.

I am confident that, under the leadership of the new Conflict of Interest and Ethics Commissioner, the dedicated and experienced staff of the Office will be up to the task in meeting these challenges.



OFFICE OF THE ETHICS COMMISSIONER

Statement of Operations (Unaudited)

For the year ended March 31  
(in dollars)

	2007			Total	2006
	Communications	Operations	Policy Development		Total
Salaries and employee benefits	854,098	2,604,949	790,799	4,249,846	3,314,690
Professional and special services	230,874	753,678	262,663	1,247,215	1,310,093
Accommodation	64,577	194,624	59,764	318,965	318,965
Amortization	51,404	154,921	47,572	253,897	234,767
Communications, travel and relocation	9,301	28,215	25,260	62,776	100,457
Material and supplies	5,198	15,666	4,811	25,675	35,929
Equipment rentals	6,584	19,844	6,094	32,522	31,798
Repairs and maintenance	4,122	12,423	3,814	20,359	22,270
Information	3,110	1,947	569	5,626	20,915
<b>Total Expenses</b>	<b>1,229,268</b>	<b>3,786,267</b>	<b>1,201,346</b>	<b>6,216,881</b>	<b>5,389,884</b>
<b>Net cost of operations</b>	<b>(1,229,268)</b>	<b>(3,786,267)</b>	<b>(1,201,346)</b>	<b>(6,216,881)</b>	<b>(5,389,884)</b>

The accompanying notes form an integral part of these financial statements.

OFFICE OF THE ETHICS COMMISSIONER

Statement of Financial Position (Unaudited)

as at March 31

(in dollars)

	2007	2006
<b>Assets</b>		
<b>Financial assets</b>		
Accounts receivable and advances (Note 4 )	164,364	173,069
<b>Total financial assets</b>	<b>164,364</b>	<b>173,069</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 5)	621,656	776,600
<b>TOTAL</b>	<b>786,020</b>	<b>949,669</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,062,273	168,747
Vacation pay and compensatory leave	97,546	100,634
Employee severance benefits (Note 6)	653,540	547,335
<b>Total liabilities</b>	<b>1,813,359</b>	<b>816,716</b>
<b>Equity of Canada</b>		
	(1,027,339)	132,953
<b>TOTAL</b>	<b>786,020</b>	<b>949,669</b>

The accompanying notes form an integral part of these financial statements.

OFFICE OF THE ETHICS COMMISSIONER

Statement of Equity of Canada (Unaudited)

as at March 31

(in dollars)

	2007	2006
<b>Equity of Canada, beginning of year</b>	<b>132,953</b>	<b>(524,377)</b>
Net cost of operations	(6,216,881)	(5,389,884)
Current year appropriations used (Note 3)	5,406,375	4,539,873
Change in net position in the Consolidated Revenue Fund (Note 3)	(902,231)	1,016,308
Services received without charge from other government departments (Note 7)	552,445	491,033
<b>Equity of Canada, end of year</b>	<b>(1,027,339)</b>	<b>132,953</b>

The accompanying notes form an integral part of these financial statements.

Variance

0

0

**OFFICE OF THE ETHICS COMMISSIONER**  
**Statement of Cash Flow (Unaudited)**

**For the year ended March 31**

(in dollars)

	2007	2006
<b>Operating activities</b>		
<i>Net cost of operations</i>	<b>6,216,881</b>	5,389,884
Non-cash items:		
Amortization of tangible capital assets	<b>(253,897)</b>	(234,767)
Services provided without charge from other government departments (Note 7)	<b>(552,445)</b>	(491,033)
	<b>5,410,539</b>	4,664,084
Decrease in accounts receivable and advances	<b>(8,705)</b>	169,000
Decrease (increase) in liabilities	<b>(996,643)</b>	613,618
<b>Cash used by operating activities</b>	<b>4,405,191</b>	5,446,702

**Capital investment activities**

Acquisitions of tangible capital assets	<b>98,953</b>	109,479
<b>Cash used by capital investment activities</b>	<b>98,953</b>	109,479

**Financing Activities**

<b>Net cash provided by Government of Canada</b>	<b>4,504,144</b>	<b>5,556,181</b>
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The accompanying notes form an integral part of these financial statements.

<b>Variance</b>	<b>0</b>	<b>0</b>
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## APPENDIX 1

### OFFICE OF THE ETHICS COMMISSIONER

## Notes to the Financial Statements (Unaudited)

### 1. Authority and Objectives

These statements provide the financial information related to all the operations controlled by the Office of the Ethics Commissioner.

The Office of the Ethics Commissioner was created by an *Act to amend the Parliament of Canada Act and other Acts in consequence*. The Office began its operations on May 17, 2004. The objective of the Office is to enhance public confidence and trust in the integrity of Members of the House of Commons and Public Office Holders as well as the respect and confidence that society places in the House of Commons as an institution.

The Office of the Ethics Commissioner's business is defined through three activities:

**Communications** - This program activity defines the strategic direction for the Office of the Ethics Commissioner's liaison with the House of Commons, parliamentary committees, Members of Parliament and Public Office Holders, as well as external stakeholders.

**Operations** - This program activity is three-fold: compliance, provision of confidential advice or opinion and investigation.

**Policy Development** - The objective of this program activity is to develop appropriate policies and practices in order to provide sound and consistent advice to clients with respect to the application of the Conflict of Interest Code for Members of the House of Commons and the Conflict of Interest and Post-Employment Code for Public Office Holders.

### 2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

**(a) Parliamentary appropriations** – The Office of the Ethics Commissioner is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the Office do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

**(b) Net Cash Provided by Government** – The Office of the Ethics Commissioner 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. Net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

**(c) Change in net position in the Consolidated Revenue Fund** is the difference between the net cash provided by Government and appropriations used in a year. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

**(d) Expenses** – Expenses are recorded on the accrual basis:

- i. Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.

OFFICE OF THE ETHICS COMMISSIONER

2. Significant Accounting Policies (continued)

ii. Services provided without charge by other 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.

*(e) Employee future benefits*

i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. The Office's contributions to the Plan are charged to expenses 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.

ii. Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

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

*(g) Foreign currency transactions* – Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect on March 31.

*(h) Tangible capital assets* – All tangible capital assets and leasehold improvements having an initial cost of \$500 or more are recorded at their acquisition cost.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	Amortization Period
Machinery and equipment	10 years
Other equipment	10 years
Computer equipment	3 years
Computer software	3 years
Leasehold improvements	life of lease

*(i) Measurement uncertainty* – The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could 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.

APPENDIX 1

OFFICE OF THE ETHICS COMMISSIONER

3. Parliamentary Appropriations

The Office of the Ethics Commissioner receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Office of the Ethics Commissioner has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

<b>(a) Reconciliation of net cost of operations to current year appropriations used:</b>	<u>2007</u>	<u>2006</u>
	(in dollars)	
<b>Net cost of operations</b>	<b>6,216,881</b>	<b>5,389,884</b>
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Amortization of tangible capital assets	(253,897)	(234,767)
Services provided without charge by other government departments	(552,445)	(491,033)
Decrease (increase) in vacation pay and compensatory leave	3,088	(33,650)
Increase in employee severance benefits	(106,205)	(222,817)
Adjustment to prior year payables		22,777
Adjustments for items not affecting net cost of operations but affecting appropriations		
Add (Less): Acquisitions of tangible capital assets	<u>98,953</u>	<u>109,479</u>
<b>Current year appropriations used</b>	<b><u>5,406,375</u></b>	<b><u>4,539,873</u></b>
 <b>(b) Appropriations provided and used</b>		
	<u>2007</u>	<u>2006</u>
	(in dollars)	
Vote 15 – Operating expenditures	4,986,000	4,089,000
Statutory amounts	455,716	453,048
Less:		
Lapsed appropriations: Operating	<u>(35,341)</u>	<u>(2,175)</u>
<b>Total appropriations used</b>	<b><u>5,406,375</u></b>	<b><u>4,539,873</u></b>

APPENDIX 1

OFFICE OF THE ETHICS COMMISSIONER

3. Parliamentary Appropriations (continued)

(c) Reconciliation of net cash provided by Government to current year appropriations used

	2007	2006
	(in dollars)	
Net cash provided by Government	4,504,144	5,556,181
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	8,705	(169,000)
Variation in accounts payable and accrued liabilities	893,526	(613,618)
Other adjustments		(233,690)
	902,231	(1,016,308)
<b>Current year appropriations used</b>	<b>5,406,375</b>	<b>4,539,873</b>

4. Accounts Receivable and Advances

The following table presents details of receivables and advances:

	2007	2006
	(in dollars)	
Receivables from other Government departments and agencies	163,864	172,569
Employee advances	500	500
<b>Total</b>	<b>164,364</b>	<b>173,069</b>

5. Tangible Capital Assets

(in dollars)

Capital asset class	Cost			Accumulated amortization			2007 Net book value	2006 Net book value
	Opening balance	Acquisitions	Closing Balance	Opening balance	Amortization	Closing Balance		
Machinery and equipment	13,719	-	13,719	1,149	1,372	2,521	11,198	12,570
Other equipment	313,334	2,277	315,611	32,012	31,485	63,497	252,114	281,322
Computer equipment	144,606	65,908	210,514	49,411	52,783	102,194	108,320	95,195
Computer software	111,028	30,768	141,796	39,166	37,009	76,175	65,621	71,862
Leasehold Improvements	447,123	-	447,123	131,472	131,248	262,720	184,403	315,651
<b>Total</b>	<b>1,029,810</b>	<b>98,953</b>	<b>1,128,763</b>	<b>253,210</b>	<b>253,897</b>	<b>507,107</b>	<b>621,656</b>	<b>776,600</b>

Amortization expense for the year ended March 31, 2007 is \$253,897 (2006 - \$234,767).



## APPENDIX 1

### OFFICE OF THE ETHICS COMMISSIONER

#### 6. Employee Benefits

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

Both the employees and the Office contribute to the cost of the Plan. The 2006-2007 expense amounts to \$335,862 (\$335,255 in 2005-2006), which represents approximately 2.6 times the contributions by employees.

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

(b) Severance benefits: The Office of the Ethics Commissioner provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	<u>2007</u>	<u>2006</u>
	(in dollars)	
Accrued benefit obligation, beginning of year	547,335	324,518
Expense for the year	117,908	222,817
Benefits paid during the year	<u>(11,703)</u>	<u>          </u>
Accrued benefit obligation, end of year	<u>653,540</u>	<u>547,335</u>

#### 7. Related Party Transactions

The Office of the Ethics Commissioner is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Office enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the Office received services which were obtained without charge from other Government departments as presented in part (a).

##### (a) Services provided without charge

During the year the Office received without charge from other departments, accommodation and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the Office's Statement of Operations as follows:

	<u>2007</u>	<u>2006</u>
	(in dollars)	
Accommodation	318,965	318,965
Employer's contribution to health and dental insurance plans	<u>233,480</u>	<u>172,068</u>
Total	<u>552,445</u>	<u>491,033</u>

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include translation services, payroll processing and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the Office's Statement of Operations.

APPENDIX 1

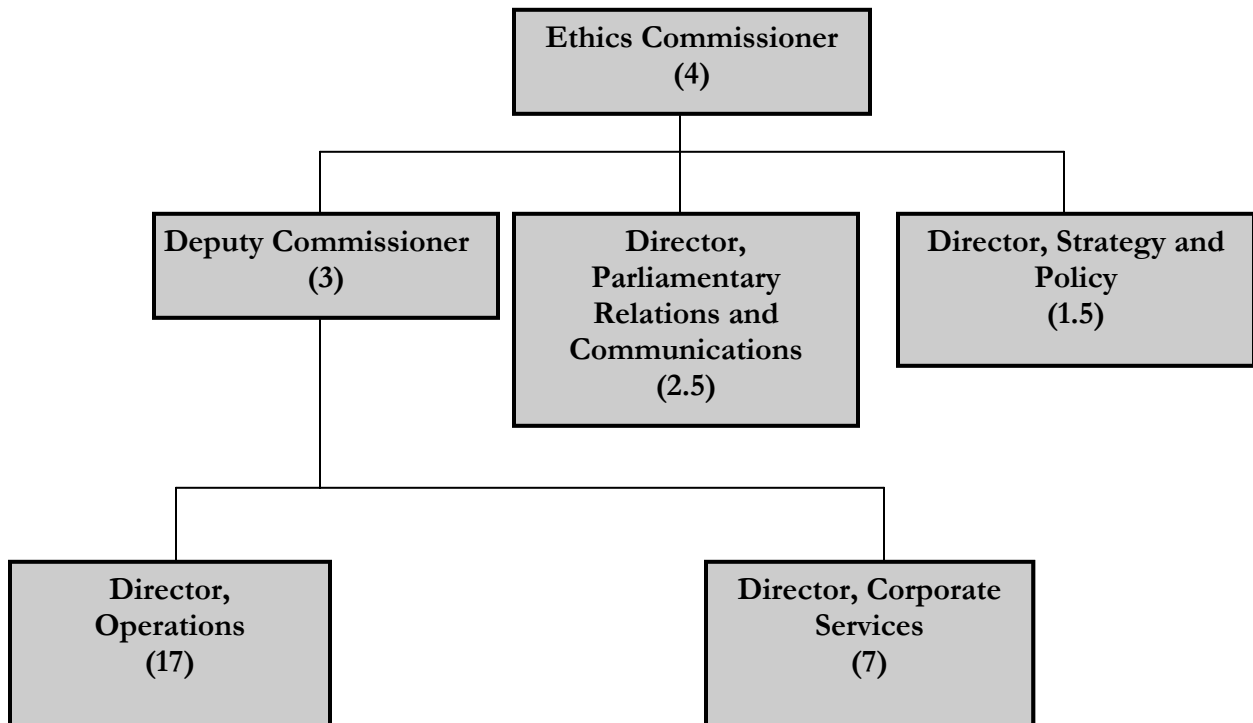
OFFICE OF THE ETHICS COMMISSIONER

**7. Related Party Transactions (continued)**

(b) Payables and receivables outstanding at year-end with related parties:

	<u>2007</u>	<u>2006</u>
	(in dollars)	
Accounts receivable from other government departments and agencies	163,864	172,569
Accounts payable to other government departments and agencies	222,113	70,027

## APPENDIX II



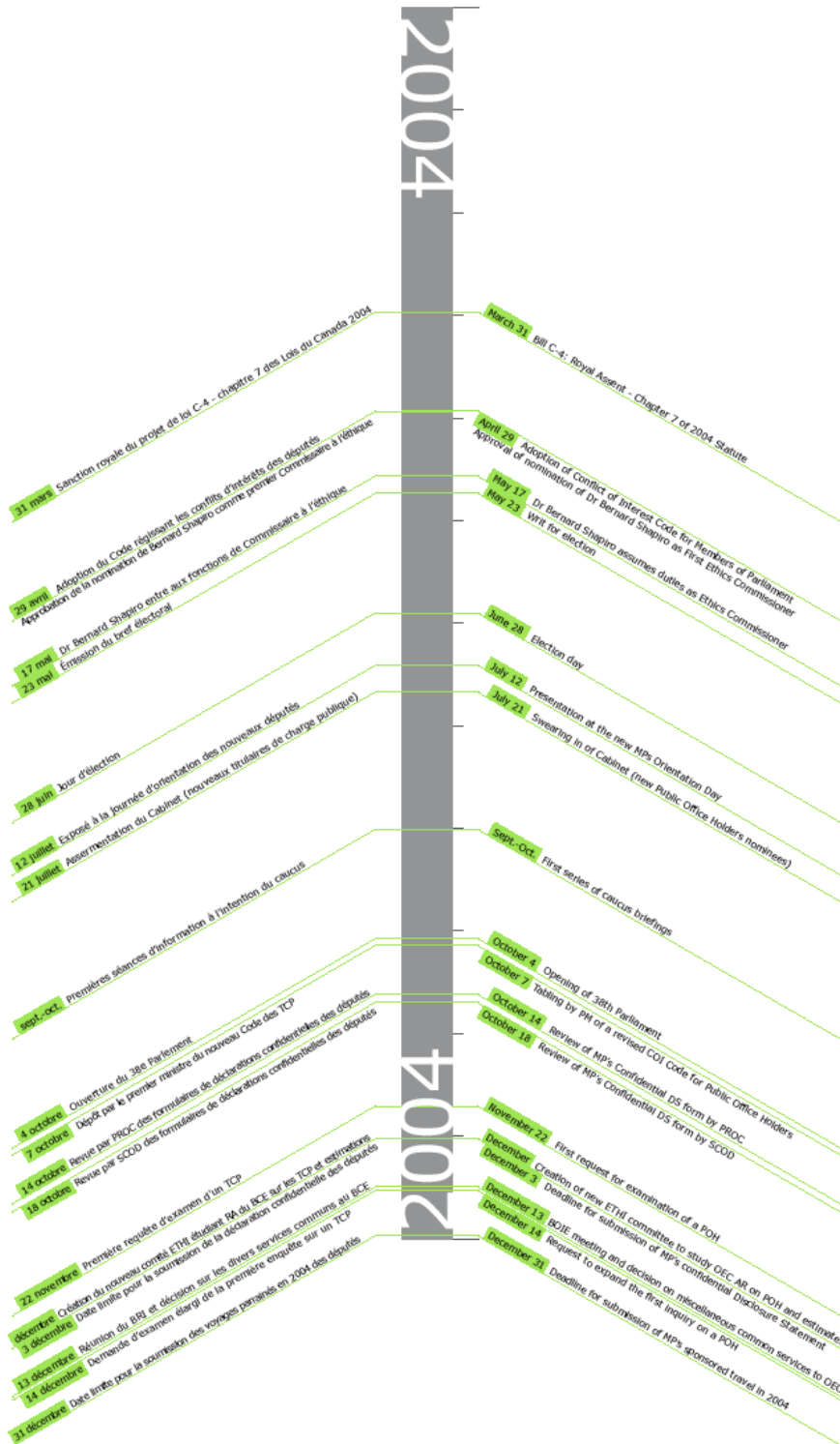
The number in brackets represents the number of direct reporting subordinate positions.  
Total: 35 positions have been staffed

March 2007

# Appendix III

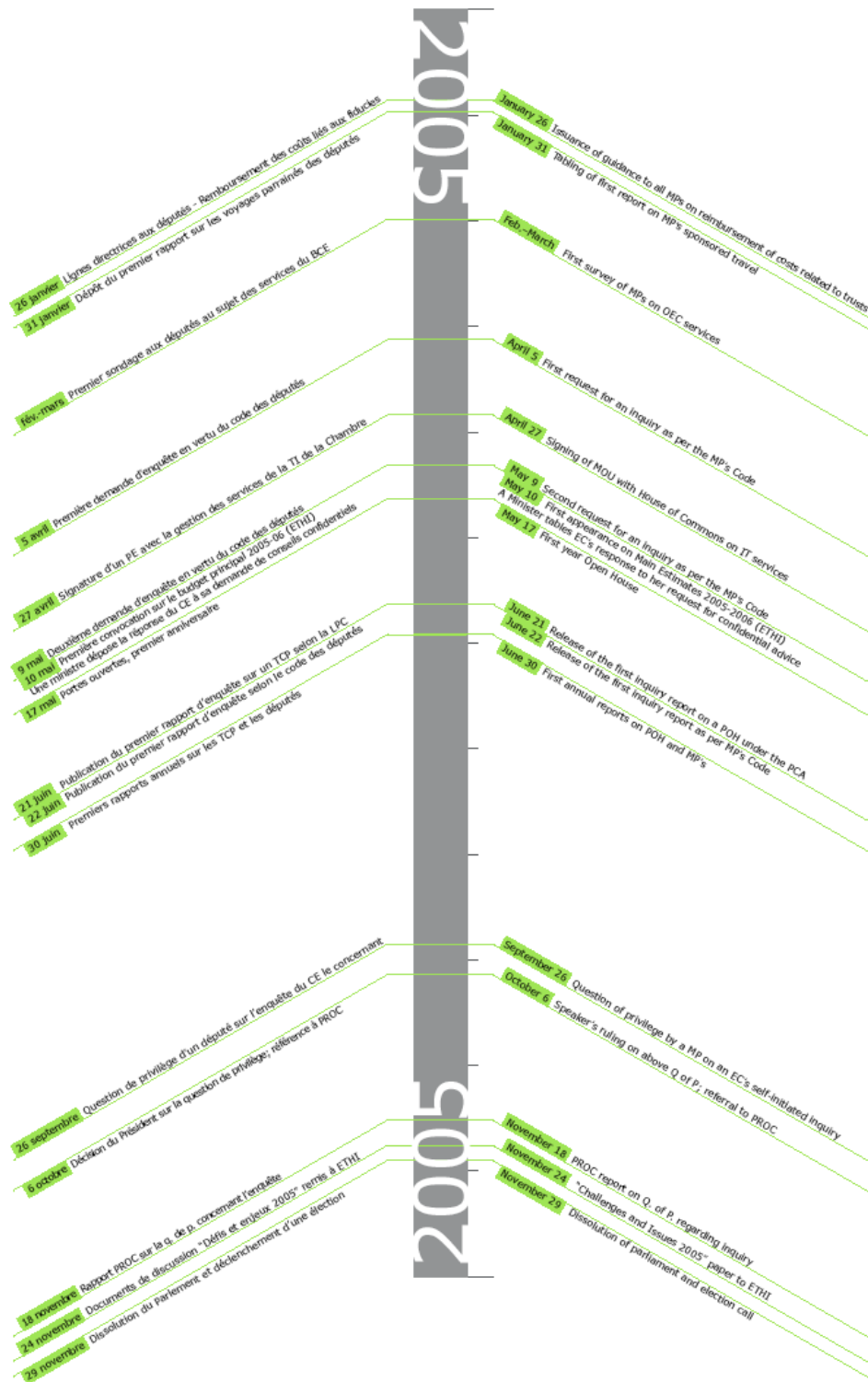
TIMELINE 2004

LIGNE DE TEMPS 2004



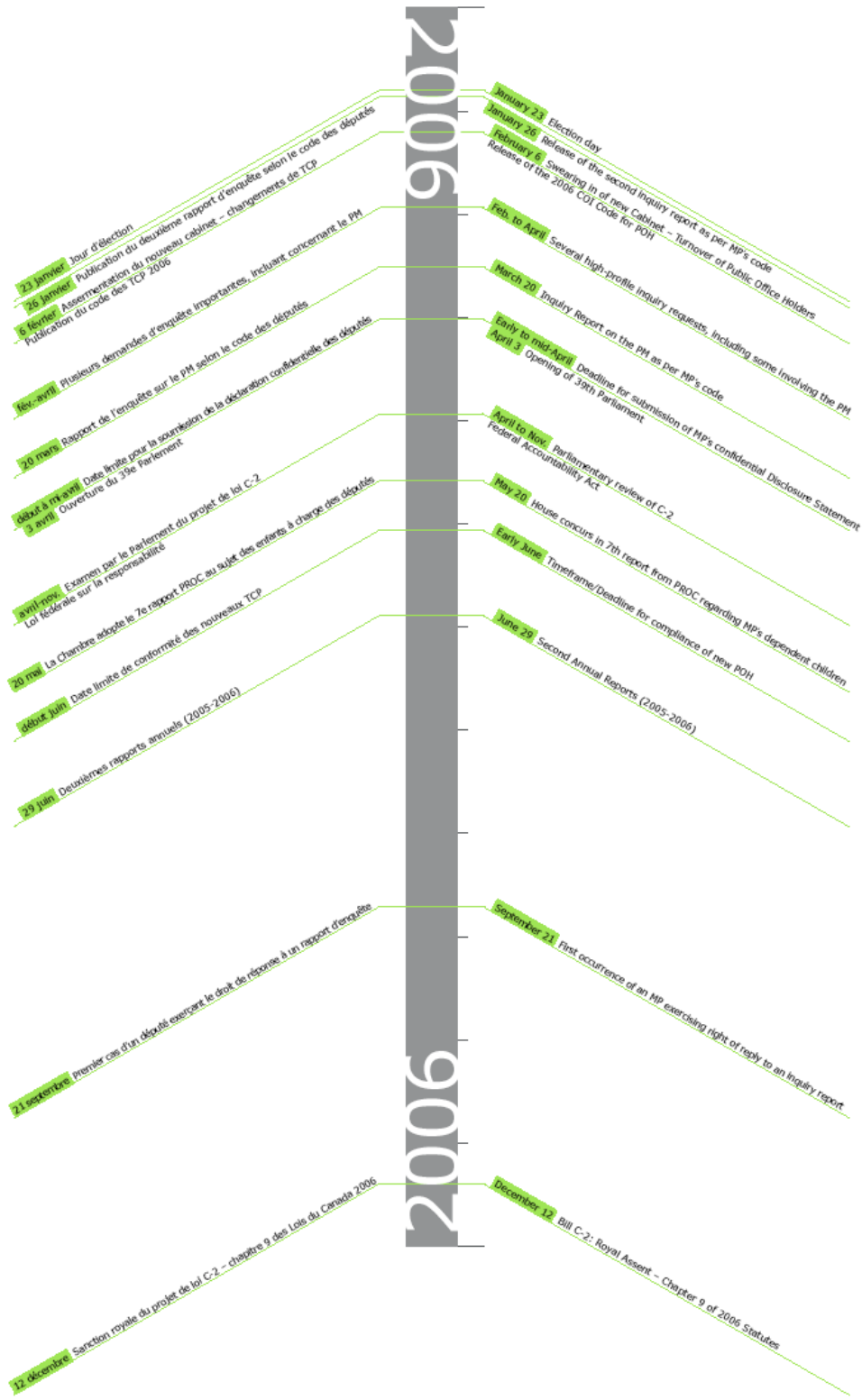
TIMELINE 2005

LIGNE DE TEMPS 2005



TIMELINE 2006

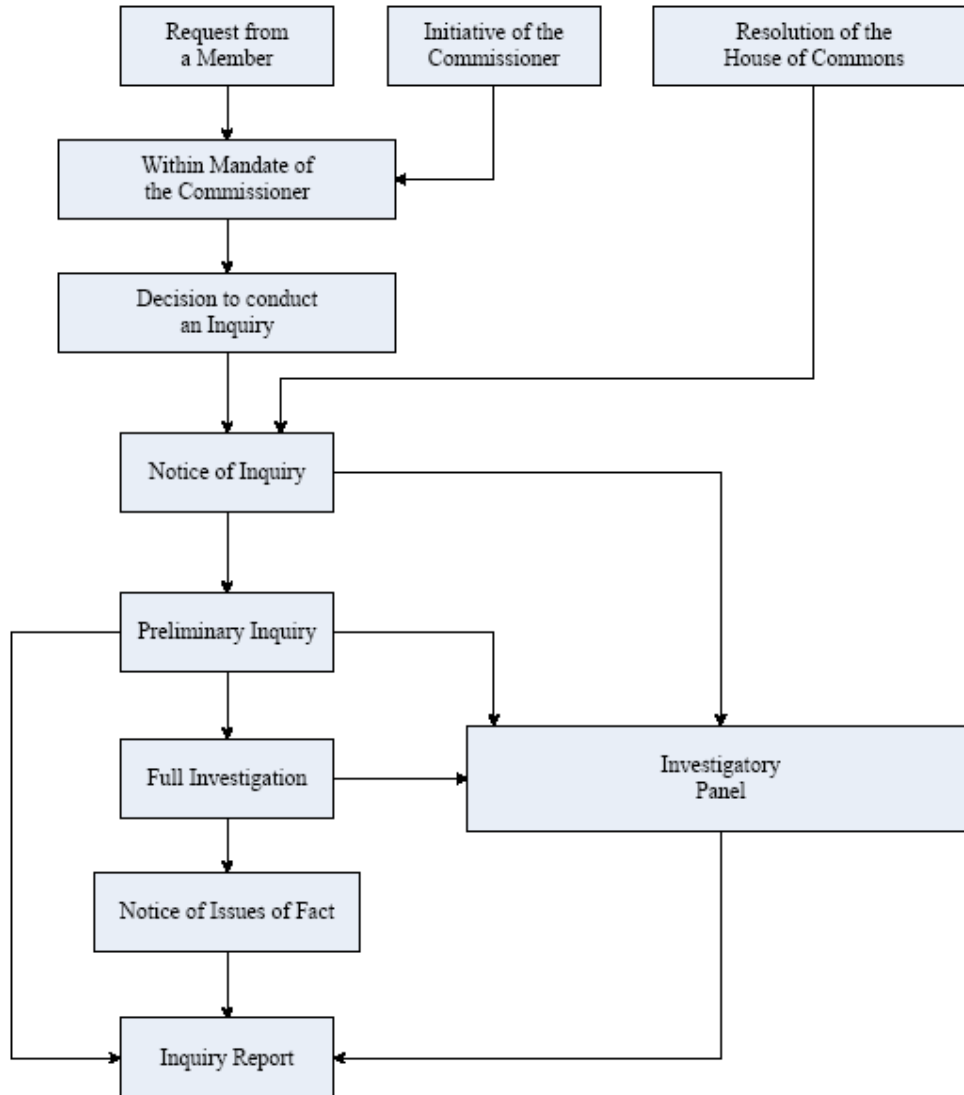
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## Appendix IV

### Inquiry Process

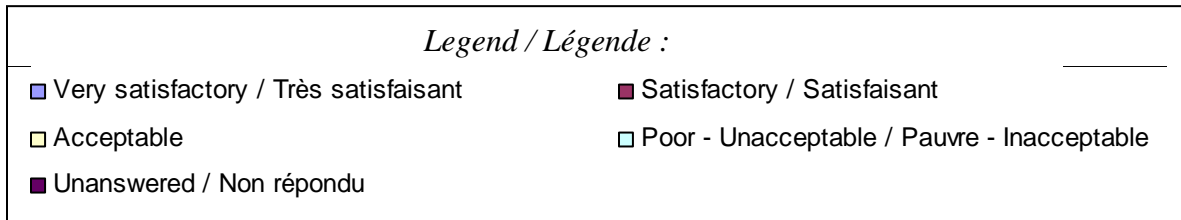
*Conflict of Interest Code for Members of the House of Commons*



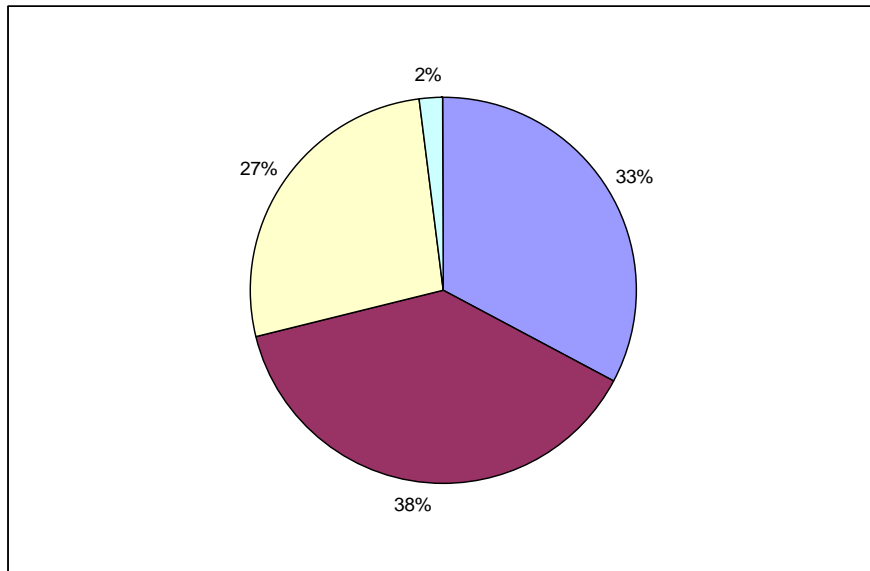
## Appendix V

### RESPONSES TO SURVEY / RÉPONSES AU SONDAGE March / Mars 2007

Based on your own experience, how would you rate the services provided to you, as Member of the House of Commons, by my Office, on the following scale: / Selon l'échelle suivante et en vous basant sur votre expérience, comment évalueriez-vous les services qui vous ont été offerts, en tant que député, par mon Bureau :

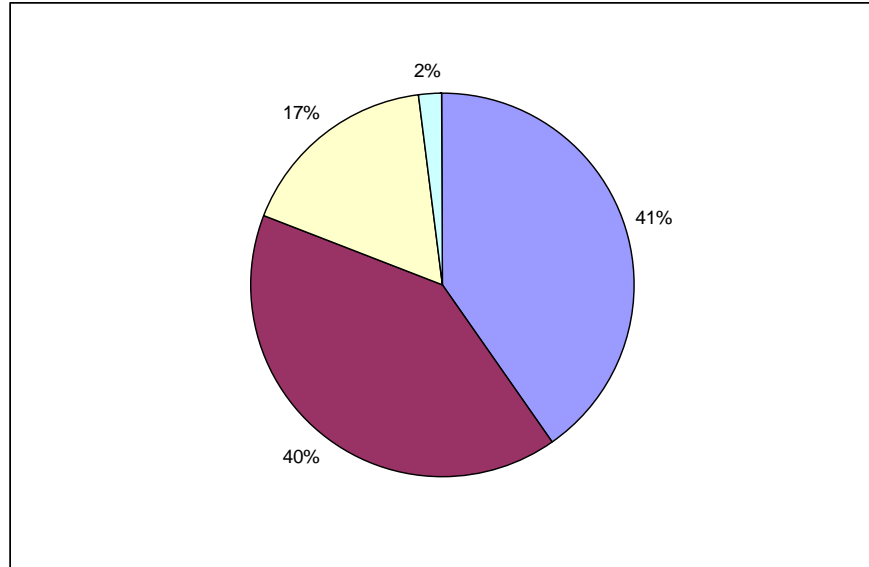


**Question 1 -** Analysis of personal compliance measures with respect to the Code's requirements /  
L'analyse des mesures de conformité personnelle en regard avec les exigences du Code.

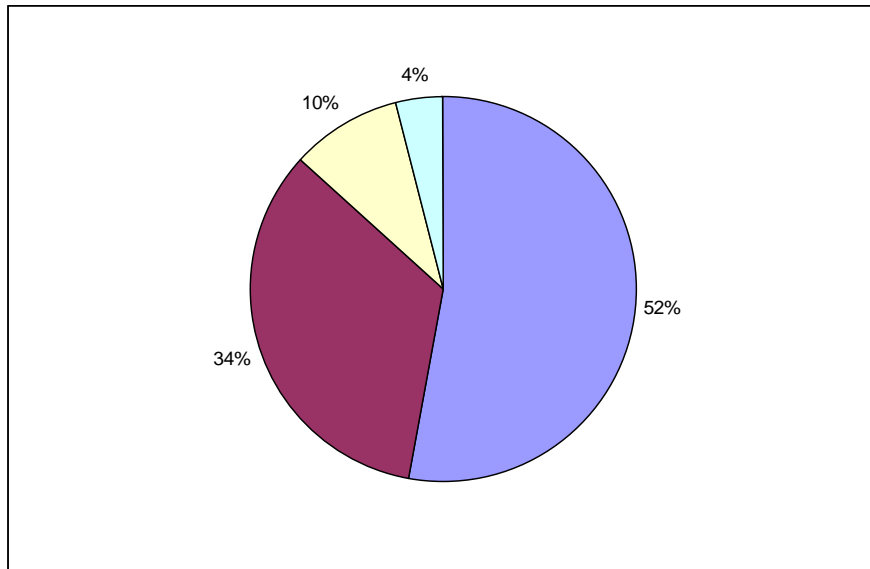




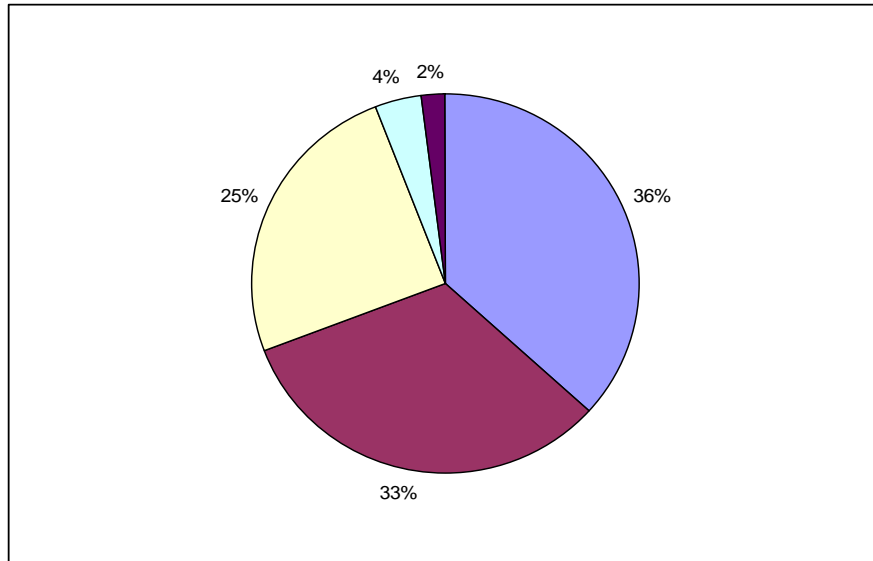
**Question 2 - Confidentiality, usefulness of, and explanation provided in relation to advice /**  
La confidentialité, l'utilité et les explications fournies relatives aux conseils.



**Question 3 - Courtesy and respect in services with your office and you /**  
La courtoisie et le respect dans la livraison des services, envers vous-même et votre bureau.



**Question 4 -** Timeliness of response /  
Le délai de réponse.



**Question 5 -** Subsection 23(2) of the Code regulates the availability of Members' Disclosure Summaries in the **Public Registry** kept in my office. Would you agree to an amendment to allow for its posting on the Internet, as done with public office holders? /

Le paragraphe 23(2) du Code prescrit de rendre disponible les déclarations sommaires des députés dans un **registre public** à mon bureau.

Accepteriez-vous un amendement permettant de publier les déclarations sommaires publiques sur Internet, comme pour les titulaires de charge publique?

