



Military Grievances External Review Committee Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2015; and all information contained in these statements rests with the management of the Military Grievances External Review Committee. These financial statements have been prepared by management using the Government's accounting policies, which are 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 Military Grievances External Review Committee's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Military Grievances External Review Committee's *Departmental Performance Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of Internal Control over Financial Reporting (ICFR) 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 the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.


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 Military Grievances External Review Committee and through conducting an annual assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.


The Military Grievances External Review Committee will be subject to periodic Core Control Audits performed by the Office of the Comptroller General and will use the results of such audits to adhere to the *Treasury Board Policy on Internal Control*.

In the interim, the Military Grievances External Review Committee has undertaken a risk-based assessment of the system of ICFR for the year ending March 31, 2015, in accordance with the *Treasury Board Policy on Internal Control*, and the results and action plan are summarized in the annex.

The financial statements of Military Grievances External Review Committee have not been audited.



Bruno Hamel, Chairperson
Ottawa, Canada
July 10th, 2015



Cynthia Beeman, Chief Financial Officer
Ottawa, Canada
July 10th, 2015



Military Grievances External Review Committee
Statement of Financial Position (Unaudited)
As at March 31

(in dollars)

	<u>2015</u>	<u>2014</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	\$ 581,038	\$ 368,980
Vacation pay and compensatory leave	119,852	108,221
Employee future benefits (note 5)	280,639	196,916
Total liabilities	981,529	674,117
Financial Assets		
Due from Consolidated Revenue Fund	554,308	356,925
Accounts receivable and advances (note 6)	11,287	9,159
Total financial assets	565,595	366,084
Departmental net debt	415,934	308,033
Non-financial assets		
Tangible capital assets (note 7)	125,720	165,515
Departmental net financial position	\$ (290,214)	\$ (142,518)

Contractual obligations (note 8)

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

Bruno Hamel, Chairperson
Ottawa, Canada
July 10th, 2015

Cynthia Beeman, Chief Financial Officer
Ottawa, Canada
July 10th, 2015



Military Grievances External Review Committee
Statement of Operations and Departmental Net Financial Position (Unaudited)
For the Year Ended March 31

(in dollars)

	2015 Planned Results	2015	2014
Expenses			
Review of Canadian Forces Grievances	\$ 4,750,000	\$ 4,363,018	\$ 4,284,985
Internal Services	2,256,000	2,206,246	1,962,612
Total Expenses	7,006,000	6,569,264	6,247,597
Revenues			
Miscellaneous Revenue		5	10
Total Revenue		5	10
Net cost of operations before government funding and transfers		6,569,259	6,247,587
Government funding and transfers			
Net cash provided by Government		6,021,338	5,963,556
Change in due from Consolidated Revenue Fund		197,383	15,250
Services provided without charge by other government departments (note 9)		334,055	313,659
Transfer of the transition payments for implementing salary payments in arrears (note 10)		(131,213)	0
Total Government funding and transfers		6,421,563	6,292,465
Net cost of operations after government funding and transfers		147,696	(44,878)
Departmental net financial position - Beginning of year		(142,518)	(187,396)
Departmental net financial position - End of year		\$ (290,214)	\$ (142,518)

Segmented Information (note 11)

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



Military Grievances External Review Committee
Statement of Change in Departmental Net Debt (Unaudited)
For the Year Ended March 31

(in dollars)

	<u>2015</u>	<u>2014</u>
Net cost of operations after government funding and transfers	\$ 147,696	\$ (44,878)
Change due to tangible capital assets		
Acquisition of tangible capital assets	56,435	19,780
Amortization of tangible capital assets	(96,230)	(104,442)
Total change due to tangible capital assets	(39,795)	(84,662)
Net increase (decrease) in departmental net debt	107,901	(129,540)
Departmental net debt - Beginning of year	308,033	437,573
Departmental net debt - End of year	\$ 415,934	\$ 308,033

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



**Military Grievances External Review Committee
Statement of Cash Flow (Unaudited)
For the Year Ended March 31**

(in dollars)

	<u>2015</u>	<u>2014</u>
Operating Activities		
Net cost of operations before government funding and transfers	\$6,569,259	\$6,247,587
Non-cash items		
Amortization of tangible capital assets	(96,230)	(104,442)
Services provided without charge from other government departments (note 9)	(334,055)	(313,659)
Transition payments for implementing salary payments in arrears (note 10)	131,213	0
Variation in Statement of Financial Position		
Decrease (increase) in accounts payables and accrued liabilities	(212,058)	29,815
Increase (decrease) in accounts receivable and advances	2,128	(34,035)
Decrease (increase) in employee future benefits	(83,723)	110,453
Decrease (increase) in vacation pay and compensatory leave	(11,631)	8,057
Cash used by operating activities	5,964,903	5,943,776
Capital Investing Activities		
Acquisitions of capital assets	56,435	19,780
	56,435	19,780
Net cash provided by Government of Canada	\$6,021,338	\$5,963,556

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



Military Grievances External Review Committee
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

1. Authority and Objectives

The Military Grievances External Review Committee (the Committee), formerly Canadian Forces Grievance Board, is an independent arms-length organization that was created through amendments to the *National Defence Act* (NDA) approved by Parliament on December 10, 1998. The amendments that were made to the NDA were aimed at modernizing and strengthening the military justice system, making the whole grievance review process simpler and shorter for members of the Canadian Forces. The Committee's mandate is to review grievances in order to render fair and impartial findings and recommendations in a timely and informal manner to the Chief of Defence staff and the grievor.

The Committee became the Military Grievances External Review Committee (MGERC), through the enactment of Bill C-15 (An Act to amend the *National Defence Act* and to make consequential amendments to other Acts). The bill received Royal Assent June 19th, 2013.

The Committee operates under the following programs:

- Review of Canadian Forces Grievances referred by the Chief of the Defence Staff: conduct fair, transparent and timely reviews of grievances referred to The Committee.
- Internal services: support a common government-wide approach to planning, designing, budgeting, reporting and communicating.



Military Grievances External Review Committee
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

2. Summary of Significant Accounting Policies

These financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

- (a) **Parliamentary authorities** – The Committee is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Committee do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Departmental Net Financial Position and in 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. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the *2014-15 Report on Plans and Priorities*. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the *2014-15 Report on Plans and Priorities*.
- (b) **Net cash provided by Government** - The Committee operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Committee is deposited to the CRF and all cash disbursements made by the Committee are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.
- (c) **Amounts due from or to 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 Committee is entitled to draw from the CRF without further authorities to discharge its liabilities.
- (d) **Revenues:**

Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.

Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Revenues that are non-respendable are not available to discharge the Committee's liabilities. While the Chairperson is expected to maintain accounting control, he has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues.
- (e) **Expenses** – Expenses are recorded on the accrual basis:



Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.

Services provided without charge by other government departments for employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

(f) Employee Future Benefits

- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer pension plan administered by the Government. The Committee's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The Committee'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.
- ii. Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivables are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for accounts receivable where recovery is considered uncertain.

(h) Tangible capital assets – All tangible assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. The Committee does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

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
Informatics Hardware	3 to 5 years
Informatics Software	3 years
Other Equipment	10 years

(i) Measurement uncertainty - The preparation of these financial statements 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 future 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.



Military Grievances External Review Committee
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

3. Parliamentary Authorities

The Committee receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and the Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the Committee 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:

(a) Reconciliation of net cost of operations to current year authorities used

	<u>2015</u>	<u>2014</u>
Net cost of operations before government funding and transfers	\$6,569,259	\$6,247,587
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(96,230)	(104,442)
Services provided without charge by other government departments	(334,055)	(313,659)
Decrease (increase) in vacation pay and compensatory leave	(11,631)	8,057
Decrease (increase) in employee future benefits	(83,723)	110,453
Refunds of prior years' expenditures	18,637	13,229
Total items affecting net cost of operations but not affecting authorities	<u>(507,002)</u>	<u>(286,362)</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	56,435	19,780
Transition payments for implementing salary payments in arrears	131,213	0
Total for items not affecting net cost of operations but affecting authorities	<u>187,648</u>	<u>19,780</u>
Current year authorities used	<u>\$6,249,905</u>	<u>\$5,981,005</u>



Military Grievances External Review Committee
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

(b) Authorities provided and used

	<u>2015</u>	<u>2014</u>
Authorities provided:		
Vote 15 - Operating expenditures	\$ 6,482,571	\$ 6,436,749
Statutory amounts	627,937	624,630
Less:		
Lapsed : Operating	(860,603)	(1,080,374)
Current year authorities used	<u>\$ 6,249,905</u>	<u>\$ 5,981,005</u>



Military Grievances External Review Committee
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

4. Accounts Payable and Accrued Liabilities

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

	2015	2014
	<i>(in dollars)</i>	
Accounts payable - Other government departments and agencies	\$ 76,345	\$ 63,891
Accounts payable – external parties	129,373	100,541
Total accounts payable	\$ 205,718	\$ 164,432
Accrued liabilities	\$ 375,320	\$ 204,548
Total accounts payable and accrued liabilities	\$ 581,038	\$ 368,980



Military Grievances External Review Committee
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

5. Employee Future Benefits

(a) Pension benefits

The Committee's employees participate in the Public Service Pension Plan (the "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 plans benefits and they are indexed to inflation.

Both the employees and the Committee contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to *Canada's Economic Action Plan 2012*, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2014-2015 expense amounts to \$429,258 (\$439,177 in 2013-14). For Group 1 members, the expense represents approximately 1.41 times (1.6 times in 2013-2014) the employee contributions and, for Group 2 members, approximately 1.39 times (1.5 times in 2013-2014) the employee contributions.

The Committee'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 Committee provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities. As of March 31, 2015, the severance benefits accumulated totaled \$280,639 dollars.

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.



	2015	2014
	<i>(in dollars)</i>	
Accrued benefit obligation, Beginning of year	\$196,916	\$307,369
Benefits paid during the year	(83,723)	110,453
Accrued benefit obligation, End of year	\$280,639	\$196,916



Military Grievances External Review Committee
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

6. Accounts Receivable and Advances

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

	2015		2014
		<i>(in dollars)</i>	
Receivables from other government departments and agencies	\$ 10,787	\$	8,659
Employee advances	500		500
Total accounts receivable	\$ 11,287	\$	9,159



**Military Grievances External Review Committee
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31**
(in dollars)

7. Tangible Capital Assets

Capital Asset Class	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Acquisitions	Closing Balance	Opening balance	Amortization	Closing Balance	2015	2014
Informatics Hardware	\$701,123	\$10,481	\$711,604	\$575,432	\$77,936	\$653,368	\$58,236	\$125,691
Informatics Software	77,567	30,041	107,608	57,189	14,222	71,411	36,197	20,378
Other Equipment	39,401	15,913	55,314	19,955	4,072	24,027	31,287	19,446
Total	\$818,091	\$56,435	\$874,526	\$652,576	\$96,230	\$748,806	\$125,720	\$165,515



Military Grievances External Review Committee
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

8. Contractual Obligations

The nature of the Committee's activities can result in some large multi-year contracts and obligations whereby the Committee will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2016	2017	2018
Operating Lease*	\$605,543	\$611,513	\$566,276

* The operating lease is due for renewal in February 2018.



**Military Grievances External Review Committee
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31**

(in dollars)

9. Related Party Transactions

The Committee is related as a result of common ownership to all government departments, agencies, and Crown corporations. The Committee enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, the Committee received common services which were obtained without charge from other government departments as disclosed below.

(a) Common services provided without charge by other government departments

During the year the Committee received services without charge from certain other common service organizations, related to the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in the Department's Statement of Operations and Departmental Net Financial Position as follows:

	<u>2015</u>	<u>2014</u>
Employer's contribution to the health and dental insurance plans	\$ 334,055	\$ 313,659
Total	\$ 334,055	\$ 313,659

The Government has centralized some of its administrative activities for efficiency and 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 and audit services provided by the Office of the Auditor General are not included in the Department's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with related parties

	<u>2015</u>	<u>2014</u>
Accounts receivable – Other government departments and agencies	\$ 10,787	\$ 8,659
Accounts payable – Other government departments and agencies	76,345	63,891
Expenses – Other government departments and agencies	950,191	979,283

Expenses and revenues disclosed in (b) exclude common services provided without charges, which are already disclosed in (a).



Military Grievances External Review Committee
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

10. *Transfer of the transition payments for implementing salary payments in arrears*

The Government of Canada implemented salary payments in arrears in 2014-15. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of the Committee. However, it did result in the use of additional spending authorities by the Committee. Prior to year end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Works and Government Services Canada, who is responsible for the administration of the Government pay system.



Military Grievances External Review Committee
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

11. Segmented Information

The presentation by segment is based on the Committee's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the main programs, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

Operating expenses	Internal Services	Review of CF Grievances	2015 Total	2014 Total
Salaries and Employee Benefits Plan	\$1,682,309	\$3,250,853	\$4,933,162	\$4,586,447 *
Transportation and Telecommunication Information	22,128	52,949	75,077	99,038
Professional and Special Services	51,305	8,632	59,937	60,413
Rental of office space and equipment	174,001	517,904	691,905	670,494
Purchased Repair Maintenance	196,304	447,862	644,166	604,814
Utilities, Materials and Supplies	2,309	5,756	8,065	44,388
Amortization of tangible capital assets	4,537	10,642	15,179	16,511
Acquisition of non-capital assets	57,643	38,587	96,230	104,442
Other	12,765	29,544	42,309	60,634 *
	2,945	289	3,234	416
Total Operating Expenses	2,206,246	4,363,018	6,569,264	6,247,597
Revenues				
Miscellaneous revenues	5	0	5	10
Total Revenues	5	0	5	10
Net cost from operations before government funding and transfers	\$2,206,241	\$4,363,018	\$6,569,259	\$6,247,587

* Restated figures



Annex to the Statement of Management Responsibility including Internal Control over Financial Report of the Military Grievances External Review Committee for fiscal year 2014-15 (unaudited)

1. Introduction

In support of an effective system of internal control, the Military Grievances External Review Committee annually assesses the performance of its financial controls to ensure:

- financial arrangements or contracts are entered into only when sufficient funding is available;
- payments for goods and services are made only when the goods or services are received or the conditions of contracts or other arrangements have been satisfied; and
- payments have been properly authorized

The Military Grievances External Review Committee will leverage the results of the periodic audit of core controls performed by the Office of the Comptroller General.

2. Assessment results during fiscal year 2014-2015

The Military Grievances External Review Committee reviewed and updated internal control policies for financial reporting, financial risk assessment /management, monitoring and governance.

3. Assessment plan

The Military Grievances External Review Committee will continue to monitor the performance of its system of internal control with a focus on the core controls related to financial transactions.