



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, 2016, and all information contained in these statements rests with the management of the Military Grievances External Review Committee, (the 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 Committee's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the 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 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 Committee is subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to comply with the Treasury Board *Policy on Internal Control*.

A Core Control Audit was performed in 2015-2016 by the Office of the Comptroller General of Canada (OCG) for transactions completed in 2014-2015. The Audit Report and related Management Action Plan are posted on the Committee's web site at <http://mgerc-ceegm.gc.ca/rpt/fsr-ref/index-eng.html>

The financial statements of the Committee have not been audited.

Bruno Hamel, Chairperson and CEO
Ottawa, Canada
July 15th, 2016

Christine Guérette, CPA, CGA, Chief Financial Officer
Ottawa, Canada
July 15th, 2016



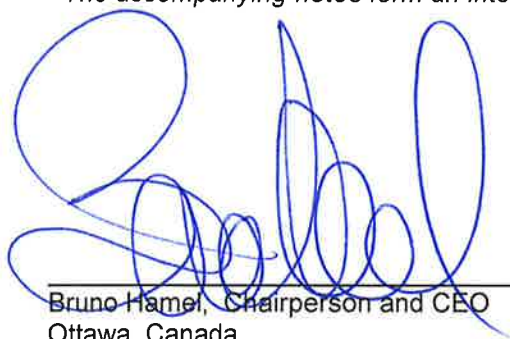
Statement of Financial Position (Unaudited) As at March 31

(in dollars)

	<u>2016</u>	<u>2015</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	\$ 674,340	\$ 581,038
Vacation pay and compensatory leave	124,616	119,852
Employee future benefits (note 5)	272,062	280,639
Total net liabilities	1,071,018	981,529
Financial Assets		
Due from Consolidated Revenue Fund	609,792	554,308
Accounts receivable and advances (note 6)	59,044	11,287
Total net financial assets	668,836	565,595
Departmental net debt	402,182	415,934
Non-financial assets		
Tangible capital assets (Note 7)	99,321	125,720
Departmental net financial position	\$ (302,861)	\$ (290,214)

Contractual obligations (note 8)

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



Bruno Hamel, Chairperson and CEO
Ottawa, Canada
July 15th, 2016



Christine Guérette, CPA, CGA, Chief Financial Officer
Ottawa, Canada
July 15th, 2016



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

(in dollars)

	2016	2016	2015
	Planned		
	Results		
Expenses			
Review of Canadian Forces Grievances	\$ 5,079,000	\$ 4,653,715	\$ 4,363,018
Internal Services	1,973,000	1,950,935	2,206,246
Total Expenses	7,052,000	6,604,650	6,569,264
Revenues			
Miscellaneous Revenue		10	5
Total Revenue		10	5
Net cost of operations before government funding and transfers		6,604,640	6,569,259
Government funding and transfers			
Net cash provided by Government		6,172,061	6,021,338
Change in due from Consolidated Revenue Fund		55,484	197,383
Services provided without charge by other government departments (note 9)		364,448	334,055
Transfer of the transition payments for implementing salary payments in arrears (note 10)		0	(131,213)
Total Government funding and transfers		6,591,993	6,421,563
Net cost of operations after government funding and transfers		12,647	147,696
Departmental net financial position - Beginning of year		(290,214)	(142,518)
Departmental net financial position - End of year		\$ (302,861)	\$ (290,214)

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>2016</u>	<u>2015</u>
Net cost of operations after government funding and transfers	\$ 12,647	\$ 147,696
Change due to tangible capital assets		
Acquisition of tangible capital assets	44,927	56,435
Amortization of tangible capital assets	(71,326)	(96,230)
Total changes due to tangible capital assets	(26,399)	(39,795)
Net increase (decrease) in departmental net debt	(13,752)	107,901
Departmental net debt - Beginning of year	415,934	308,033
Departmental net debt - End of year	\$ 402,182	\$ 415,934

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>2016</u>	<u>2015</u>
Operating Activities		
Net cost of operations before government funding and transfers	\$ 6,604,640	\$ 6,569,259
Non-cash items		
Amortization of tangible capital assets	(71,326)	(96,230)
Services provided without charge from other government departments (note 9)	(364,448)	(334,055)
Transition payments for implementing salary payments in arrears (note 10)	0	131,213
Variation in Statement of Financial Position		
Increase in accounts payables and accrued liabilities	(93,302)	(212,058)
Increase in accounts receivable and advances	47,757	2,128
Decrease (increase) in employee future benefits	8,577	(83,723)
Increase in vacation pay and compensatory leave	(4,764)	(11,631)
Cash used by operating activities	<u>6,127,134</u>	<u>5,964,903</u>
Capital Investing Activities		
Acquisitions of capital assets	44,927	56,435
	<u>44,927</u>	<u>56,435</u>
Net cash provided by Government of Canada	<u>\$ 6,172,061</u>	<u>\$ 6,021,338</u>

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 *2015-16 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 *2015-16 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 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-respondable 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-respondable revenues. As a result, non-respondable 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

	2016	2015
Net cost of operations before government funding and transfers	\$ 6,604,640	\$ 6,569,259
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(71,326)	(96,230)
Services provided without charge by other government departments	(364,448)	(334,055)
Decrease (increase) in vacation pay and compensatory leave	(4,764)	(11,631)
Decrease (increase) in employee future benefits	8,577	(83,723)
Refunds of prior years' expenditures	33,992	18,637
Total items affecting net cost of operations but not affecting authorities	(397,969)	(507,002)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	44,927	56,435
Transition payments for implementing salary payments in arrears	0	131,213
Total for items not affecting net cost of operations but affecting authorities	44,927	187,648
Current year authorities used	\$ 6,251,598	\$ 6,249,905



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>2016</u>	<u>2015</u>
Authorities provided:		
Vote 15 - Operating expenditures	\$ 6,452,536	\$ 6,482,571
Statutory amounts	656,299	627,937
Less:		
Lapsed : Operating	(857,237)	(860,603)
Current year authorities used	<u>\$ 6,251,598</u>	<u>\$ 6,249,905</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:

	2016	2015
Accounts payable - Other government departments and agencies	\$ 128,383	\$ 76,345
Accounts payable – external parties	158,445	129,373
Total accounts payable	\$ 286,828	\$ 205,718
Accrued liabilities	\$ 387,512	\$ 375,320
Total accounts payable and accrued liabilities	\$ 674,340	\$ 581,038



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 *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 2015-2016 expense amounts to \$452,387 (\$429,258 in 2014-15). For Group 1 members, the expense represents approximately 1.25 times (1.41 times in 2014-2015) the employee contributions and, for Group 2 members, approximately 1.24 times (1.39 times in 2014-2015) 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, 2016, the severance benefits accumulated totaled \$272,062 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.



	2016	2015
Accrued benefit obligation, Beginning of year	\$ 280,639	\$ 196,916
Benefits paid during the year	8,577	(83,723)
Accrued benefit obligation, End of year	\$ 272,062	\$ 280,639



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:

	<u>2016</u>	<u>2015</u>
Receivables from other government departments and agencies	\$ 58,544	\$ 10,787
Employee advances	500	500
Total accounts receivable	\$ 59,044	\$ 11,287



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	2016	2015
Informatics Hardware	\$ 711,604	\$ 34,279	\$ 745,883	\$ 653,368	\$ 45,831	\$ 699,199	\$ 46,684	\$ 58,236
Informatics Software	107,608	10,648	118,256	71,411	19,963	91,374	26,882	36,197
Other Equipment	55,314	0	55,314	24,027	5,532	29,559	25,755	31,287
Total	\$ 874,526	\$ 44,927	\$ 919,453	\$ 748,806	\$ 71,326	\$ 820,132	\$ 99,321	\$ 125,720



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:

	2017	2018
Operating Lease*	\$ 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 Committee's Statement of Operations and Departmental Net Financial Position as follows:

	<u>2016</u>	<u>2015</u>
Employer's contribution to the health and dental insurance plans	\$ 364,448	\$ 334,055
Total	\$ 364,448	\$ 334,055

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 Services and Procurement Canada and audit services provided by the Office of the Auditor General are not included in the Committee's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with related parties

	<u>2016</u>	<u>2015</u>
Accounts receivable – Other government departments and agencies	\$ 58,544	\$ 10,787
Accounts payable – Other government departments and agencies	128,383	76,345
Expenses – Other government departments and agencies	944,782	950,191

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 Services and Procurement 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	2016 Total	2015 Total
Salaries and Employee Benefits Plan	\$ 1,474,173	\$ 3,710,843	\$ 5,185,016	\$ 4,933,162
Transportation and Telecommunication Information	16,627	32,022	48,649	75,077
Professional and Special Services	26,479	20,196	46,675	59,937
Rental of office space and equipment	175,340	358,670	534,010	691,905
Purchased Repair Maintenance	196,577	449,390	645,967	644,166
Utilities, Materials and Supplies	4,065	6,645	10,710	8,065
Amortization of tangible capital assets	6,766	8,922	15,688	15,179
Acquisition of non-capital assets	28,101	43,225	71,326	96,230
Other	22,152	18,926	41,078	42,309
	655	4,876	5,531	3,234
Total Operating Expenses	1,950,935	4,653,715	6,604,650	6,569,264
Revenues				
Miscellaneous revenues	10	0	10	5
Total Revenues	10	0	10	5
Net cost from operations before government funding and transfers	\$ 1,950,925	\$ 4,653,715	\$ 6,604,640	\$ 6,569,259