



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, 2017, and all information contained in these statements rests with the management of the Military Grievances External Review Committee (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 Results 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 risk-based 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 <https://www.canada.ca/en/military-grievances-external-review/corporate/financial-statements-quarterly-financial-reports.html>

The financial statements of the Committee have not been audited.

Caroline Maynard
Interim Chairperson and CEO
Ottawa, Canada
July 17, 2017

Christine Guérette, CPA, CGA
Chief Financial Officer
Ottawa, Canada
July 17, 2017



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

(in dollars)

	<u>2017</u>	<u>2016</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	\$ 563,976	\$ 674,340
Vacation pay and compensatory leave	161,571	124,616
Employee future benefits (note 5)	200,289	272,062
Total net liabilities	925,836	1,071,018
Financial assets		
Due from Consolidated Revenue Fund	531,197	609,792
Accounts receivable and advances (note 6)	28,627	59,044
Total net financial assets	559,824	668,836
Departmental net debt	366,012	402,182
Non-financial assets		
Tangible capital assets (Note 7)	76,287	99,321
Departmental net financial position	\$ (289,725)	\$ (302,861)

Contractual obligations (note 8)

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

Caroline Maynard
Interim Chairperson and CEO
Ottawa, Canada
July 17, 2017

Christine Guérette, CPA, CGA
Chief Financial Officer
Ottawa, Canada
July 17, 2017



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

(in dollars)

	2017	2017	2016
	Planned		
	Results		
Expenses			
Independent Review of Military Grievances	\$ 5,049,000	\$ 4,319,895	\$ 4,653,715
Internal Services	2,045,000	1,994,936	1,950,935
Total expenses	7,094,000	6,314,831	6,604,650
Revenues			
Miscellaneous revenues		0	10
Total revenues		0	10
Net cost of operations before government funding and transfers		6,314,831	6,604,640
Government funding and transfers			
Net cash provided by Government		6,040,619	6,172,061
Change in due from Consolidated Revenue Fund		(78,595)	55,484
Services provided without charge by other government departments (note 9)		365,943	364,448
Total government funding and transfers		6,327,967	6,591,993
Net cost of operations after government funding and transfers		(13,136)	12,647
Departmental net financial position - Beginning of year		(302,861)	(290,214)
Departmental net financial position - End of year		\$ (289,725)	\$ (302,861)

Segmented Information (note 10)

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>2017</u>	<u>2016</u>
Net cost of operations after government funding and transfers	\$ (13,136)	\$ 12,647
Change due to tangible capital assets		
Acquisitions of tangible capital assets	17,321	44,927
Amortization of tangible capital assets	(40,355)	(71,326)
Total change due to tangible capital assets	(23,034)	(26,399)
Net increase (decrease) in departmental net debt	(36,170)	(13,752)
Departmental net debt - Beginning of year	402,182	415,934
Departmental net debt - End of year	\$ 366,012	\$ 402,182

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



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

(in dollars)

	<u>2017</u>	<u>2016</u>
Operating Activities		
Net cost of operations before government funding and transfers	\$ 6,314,831	\$ 6,604,640
Non-cash items		
Amortization of tangible capital assets	(40,355)	(71,326)
Services provided without charge by other government departments (note 9)	(365,943)	(364,448)
Variations in Statement of Financial Position		
Increase (decrease) in accounts receivable and advances	(30,417)	47,757
Decrease (increase) in accounts payables and accrued liabilities	110,364	(93,302)
Increase in vacation pay and compensatory leave	(36,955)	(4,764)
Decrease in employee future benefits	71,773	8,577
Cash used by operating activities	6,023,298	6,127,134
Capital Investing Activities		
Acquisitions of tangible capital assets	17,321	44,927
	17,321	44,927
Net cash provided by Government of Canada	\$ 6,040,619	\$ 6,172,061

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 raison d'être of the Military Grievances External Review Committee (Committee) is to provide an independent and external review of military grievances. Section 29 of the *National Defence Act* provides a statutory right for an officer or a non-commissioned member who has been aggrieved, to grieve a decision, an act or an omission in the administration of the affairs of the Canadian Armed Forces. The importance of this broad right cannot be overstated since it is, with certain narrow exceptions, the only formal complaint process available to Canadian Armed Forces members.

The Military Grievances External Review Committee is an independent administrative tribunal reporting to Parliament through the Minister of National Defence. The Committee reviews military grievances referred to it pursuant to s. 29 of the *National Defence Act* and provides findings and recommendations to the Chief of the Defence Staff and the Canadian Armed Forces member who submitted the grievance.

The Committee also has the obligation to deal with all matters before it as informally and expeditiously as the circumstances and the considerations of fairness permit.

The Committee operates under the following programs:

- Independent Review of Military Grievances
- Internal Services



**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" section of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the *2016-2017 Report on Plan 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 *2016-2017 Report on Plan 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-respendable are not available to discharge the Committee's liabilities. While the Interim Chairperson and CEO is expected to maintain accounting control, she 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
Machinery and 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>2017</u>	<u>2016</u>
Net cost of operations before government funding and transfers	\$ 6,314,831	\$ 6,604,640
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(40,355)	(71,326)
Services provided without charge by other government departments	(365,943)	(364,448)
Increase in vacation pay and compensatory leave	(36,955)	(4,764)
Decrease in employee future benefits	71,773	8,577
Salaries overpayment recoverable	2,432	0
Refunds of prior years' expenditures	22,698	33,992
Total items affecting net cost of operations but not affecting authorities	<u>(346,350)</u>	<u>(397,969)</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	17,321	44,927
Total for items not affecting net cost of operations but affecting authorities	<u>17,321</u>	<u>44,927</u>
Current year authorities used	<u>\$ 5,985,802</u>	<u>\$ 6,251,598</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>2017</u>	<u>2016</u>
Authorities provided:		
Vote 1 - Operating expenditures	\$ 6,467,559	\$ 6,452,536
Statutory amounts	602,252	656,299
Less:		
Lapsed : Operating	(1,084,009)	(857,237)
Current year authorities used	<u>\$ 5,985,802</u>	<u>\$ 6,251,598</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:

	2017	2016
Accounts payable – Other government departments and agencies	\$ 31,553	\$ 128,383
Accounts payable – External parties	153,705	158,445
Total accounts payable	185,258	286,828
Accrued liabilities	378,718	387,512
Total accounts payable and accrued liabilities	\$ 563,976	\$ 674,340



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 2016-2017 expense amounts to \$419,589 (\$452,387 in 2015-16). For Group 1 members, the expense represents approximately 1.12 times (1.25 times in 2015-2016) the employee contributions and, for Group 2 members, approximately 1.08 times (1.24 times in 2015-2016) 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

Severance benefits provided to the Committee's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2017, all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

	<u>2017</u>	<u>2016 (restated)</u>
Accrued benefit obligation, Beginning of year	\$ 272,062	\$ 280,639
Expense for the year	(59,964)	71,552
Benefits paid during the year	(11,809)	(80,129)
Accrued benefit obligation, End of year	\$ 200,289	\$ 272,062



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>2017</u>	<u>2016</u>
Receivables from other government departments and agencies	\$ 26,195	\$ 58,544
Receivables – External parties	2,432	0
Employee advances	0	500
Total accounts receivable	\$ 28,627	\$ 59,044



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	Disposals and Write-Offs	Closing Balance	Opening balance	Amortization	Disposals and Write-Offs	Closing Balance	2017	2016
Machinery and Equipment	\$0	\$17,321	\$0	\$17,321	\$0	\$0	\$0	\$0	\$17,321	\$0
Informatics Hardware	745,883	0	320,330	425,553	699,199	21,261	320,330	400,130	25,423	46,684
Informatics Software	118,256	0	0	118,256	91,374	13,563	0	104,937	13,319	26,882
Other Equipment	55,314	0	0	55,314	29,559	5,531	0	35,090	20,224	25,755
Total	\$919,453	\$17,321	\$320,330	\$616,444	\$820,132	\$40,355	\$320,330	\$540,157	\$76,287	\$99,321



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:

	2018
Operating Lease*	\$ 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 for 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>2017</u>	<u>2016</u>
Employer's contribution to the health and dental insurance plans	\$ 365,943	\$ 364,448
Total	\$ 365,943	\$ 364,448

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public 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>2017</u>	<u>2016</u>
Accounts receivable – Other government departments and agencies	\$ 26,195	\$ 58,544
Accounts payable – Other government departments and agencies	31,553	128,383
Expenses – Other government departments and agencies	902,752	944,782

Expenses 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. 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	Independent Review of Military Grievances	2017 Total	2016 Total
Salaries and employee benefits	\$1,318,667	\$3,524,456	\$4,843,123	\$ 5,185,016
Transportation and communications	13,376	27,597	40,973	48,649
Information	45,206	8,428	53,634	46,675
Professional and special services	308,897	293,017	601,914	534,010
Rental of office space and equipment	260,959	436,364	697,323	645,967
Repair and maintenance	6,015	3,750	9,765	10,710
Utilities, materials and supplies	2,950	4,481	7,431	15,688
Amortization of tangible capital assets	21,475	18,880	40,355	71,326
Acquisition of non-capital assets	12,893	2,729	15,622	41,078
Other	4,498	193	4,691	5,531
Total operating expenses	1,994,936	4,319,895	6,314,831	6,604,650
Revenues				
Miscellaneous revenues	0	0	0	10
Total revenues	0	0	0	10
Net cost from operations before government funding and transfers	\$ 1,994,936	\$ 4,319,895	\$ 6,314,831	\$ 6,604,640