

# RCMP EXTERNAL REVIEW COMMITTEE

## Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the period ended March 31, 2014, and all information contained in these statements rests with the management of the RCMP External Review Committee (ERC). 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 ERC's financial transactions. Financial information submitted in the preparation of the *Public Accounts of Canada* and included in the ERC'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 ERC 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 ERC is subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to adhere to the Treasury *Board Policy on Internal Control*.

A Core Control Audit was performed in 2011-12 by the Office of the Controller General of Canada. The Audit Report and related Management Action Plan are posted on the ERC's web site at: <http://www.erc-cee.gc.ca/cnt/rsrscs/rprts/ae-ve/2012-eng.aspx>

The financial statements of the ERC have not been audited.

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**David Paradiso**

Interim Chair  
Ottawa, Canada

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**Jamie Deacon**

Chief Financial Officer  
Ottawa, Canada

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Date

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Date

## RCMP EXTERNAL REVIEW COMMITTEE

### Statement of Financial Position (Unaudited)

As at March 31

(in dollars)

	2014	2013
<b>Liabilities</b>		
Accounts payable and accrued liabilities ( <u>note 4</u> )	155,510	129,404
Vacation pay and compensatory leave	26,438	27,231
Employee future benefits ( <u>note 5</u> )	31,112	99,806
<b>Total liabilities</b>	<b>213,060</b>	<b>256,441</b>
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	147,640	129,404
Accounts receivable and advances ( <u>note 6</u> )	19,545	9,678
<b>Total financial assets</b>	<b>167,185</b>	<b>139,082</b>
<b>Departmental net debt</b>	<b>45,875</b>	<b>117,359</b>
<b>Non-financial assets</b>		
Tangible capital assets ( <u>note 7</u> )	4,801	9,602
<b>Total non-financial assets</b>	<b>4,801</b>	<b>9,602</b>
<b>Departmental net financial position</b>	<b>(41,074)</b>	<b>(107,757)</b>

The accompanying notes form an integral part of these financial statements

**David Paradiso**

Interim Chair  
Ottawa, Canada

**Jamie Deacon**

Chief Financial Officer  
Ottawa, Canada

Date

Date

## RCMP EXTERNAL REVIEW COMMITTEE

### Statement of Operations and Departmental Net Financial Position (Unaudited)

For the year ended March 31

(in dollars)

	2014 Planned Results	2014	2013
<b>Expenses</b>			
Independent and impartial case review	1,127,844	1,740,972	1,761,051
Internal services	0	0	0
<b>Total expenses</b>	<b>1,127,844</b>	<b>1,740,972</b>	<b>1,761,051</b>
<b>Revenues</b>			
Responsible revenue	0	0	0
Miscellaneous revenues	0	374	0
Revenues earned on behalf of government	0	(374)	0
<b>Total revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net cost of operations before government funding and transfers</b>	<b>1,127,844</b>	<b>1,740,972</b>	<b>1,761,051</b>
<b>Government Funding and Transfers</b>			
Net cash provided by Government	911,294	1,589,636	1,520,822
Change in due from the Consolidated Revenue Fund	25,407	18,236	(19,026)
Services provided without charge by other government departments ( <u>note 8</u> )	234,450	199,783	195,768
<b>Net cost of operations after government funding and transfers</b>	<b>(43,307)</b>	<b>(66,683)</b>	<b>63,487</b>
<b>Departmental Net Financial Position - Beginning of Year</b>	<b>(89,423)</b>	<b>(107,757)</b>	<b>(44,270)</b>
<b>Departmental Net Financial Position - End of Year</b>	<b>(46,116)</b>	<b>(41,074)</b>	<b>(107,757)</b>

Segmented information (note 9)

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

## RCMP EXTERNAL REVIEW COMMITTEE

### Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31

(in dollars)

	2014 Planned Results	2014	2013
<b>Net cost of operations after government funding and transfers</b>	(43,307)	<b>(66,683)</b>	63,487
<b>Change Due to Tangible Capital Assets</b>			
Amortization of tangible capital assets	(4,801)	<b>(4,801)</b>	(94,089)
<b>Total Change Due to Tangible Capital Assets</b>	<b>(4,801)</b>	<b>(4,801)</b>	<b>(94,089)</b>
<b>Net Decrease in Departmental Net Debt</b>	<b>(48,108)</b>	<b>(71,484)</b>	<b>(30,602)</b>
<b>Departmental Net Debt Beginning of Year</b>	<b>99,025</b>	<b>117,359</b>	<b>147,961</b>
<b>Departmental Net Debt End of Year</b>	<b>50,917</b>	<b>45,875</b>	<b>117,359</b>

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

## RCMP EXTERNAL REVIEW COMMITTEE

### Statement of Cash Flows (Unaudited)

For the year ended March 31

(in dollars)

2014 2013

#### Operating activities

Net Cost of Operations before government funding and transfers 1,740,972 1,761,051

#### Non-cash items:

Amortization of tangible capital assets (4,801) (94,089)

Services provided without charge by other government departments (note 8) (199,783) (195,768)

#### Variations in Statement of Financial Position:

Increase (decrease) in account receivable and advances 9,867 (13,211)

Decrease (increase) in accounts payable and accrued liabilities (26,106) 26,526

Decrease in vacation pay and compensatory leave 793 7,648

Decrease in employee future benefits 68,694 28,665

Cash used in operating activities 1,589,636 1,520,822

Net cash provided by Government of Canada 1,589,636 1,520,822

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

# RCMP EXTERNAL REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2014

### 1. Authority and objectives

Under the *Royal Canadian Mounted Police (RCMP) Act*, the RCMP Commissioner refers all appeals of formal discipline and all discharge and demotion appeals to the ERC unless the member of the RCMP requests that the matter not be referred. In addition, pursuant to section 33 of the *RCMP Act*, the RCMP Commissioner refers certain types of grievances to the ERC in accordance with regulations made by the Governor in Council. Section 36 of the *RCMP Regulations* specifies the grievances which the RCMP Commissioner is obliged to refer to the ERC, namely grievances respecting:

- the Force's interpretation and application of government policies that apply to government departments and that have been made to apply to members;
- the stoppage of pay and allowances of members made pursuant to subsection 22(3) of the *RCMP Act*;
- the Force's interpretation and application of the *Isolated Posts Directive*
- the Force's interpretation and application of the *RCMP Relocation Directive*; and
- administrative discharge on the grounds of physical or mental disability, abandonment of post, or irregular appointment.

The ERC is also responsible for outreach and information dissemination. The ERC ensures that its findings and recommendations in each case are clearly explained for the parties and the RCMP Commissioner. Summaries of the findings and recommendations in each case, as well as articles of interest on the role of the ERC, relevant legal principles and information on related issues are distributed widely.

### 2. 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 ERC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the ERC 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 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 Statement of Operations and Departmental Net Financial Position are the amounts reported in the future-oriented financial statements included in the 2013-14 Report on Plans and Priorities.

## 2. Significant accounting policies (continued)

### *(b) Net cash provided by Government*

The ERC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the ERC is deposited to the CRF and all cash disbursements made by the ERC 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/to the CRF*

Amounts due from/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 ERC 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 ERC's liabilities. While the Chair 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 accommodation and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

# RCMP EXTERNAL REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2014

### 2. Significant accounting policies (continued)

#### *(f) Employee future benefits*

*Pension benefits:* Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government. The ERC's contributions to the Plan are charged to expenses in the year incurred and represent the total Departmental obligation to the Plan. The ERC'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.

*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 the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

#### *(g) Accounts receivable*

Accounts receivable 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 capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. The ERC 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
Leasehold improvements	Lesser of the remaining term of the lease or useful life of improvement
Other equipment including furniture	5 years



**2. Significant accounting policies (continued)**

*(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.

# RCMP EXTERNAL REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2014

### 3. Parliamentary authorities

The ERC receives its funding through annual Parliamentary authorities. Items recognized in the Statement of Operations and 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 ERC 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:**

	2014	2013
		(in dollars)
Net cost of operations before government funding and transfers	1,740,972	1,761,051
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	(4,801)	(94,089)
Services provided without charge by other government departments	(199,783)	(195,768)
Decrease in vacation pay and compensatory leave	793	7,648
Decrease in employee future benefits	68,694	28,665
Refund of prior years' expenditures	53	173
Adjustments to previous years' payables at year-end	0	87,915
	<b>(135,044)</b>	<b>(165,456)</b>
<b>Current year authorities used</b>	<b>1,605,928</b>	<b>1,595,595</b>

**(b) Authorities provided and used:**

	2014	2013
		(in dollars)
<i>Vote 60 - Program expenditures</i>	1,639,562	1,617,117
Statutory amounts	160,657	144,410
	<b>1,800,219</b>	<b>1,761,527</b>
Less:		
Lapsed : Operating	(194,291)	(165,932)
<b>Current year authorities used</b>	<b>1,605,928</b>	<b>1,595,595</b>

# RCMP EXTERNAL REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2014

### 4. Accounts payable and accrued liabilities

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

	2014	2013
		(in dollars)
Accounts payable to other government departments and agencies	45,801	52,302
Accounts payable to external parties	103,000	71,000
Total accounts payable	148,801	123,302
Accrued liabilities	6,709	6,102
<b>Total accounts payable and accrued liabilities</b>	<b>155,510</b>	<b>129,404</b>

### 5. Employee future benefits

#### *(a) Pension benefits*

The ERC'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 Plan benefits and they are indexed to inflation.

Both the employees and the ERC 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 2013-2014 expense amounts to \$112,958 (\$103,107 in 2012-2013). For Group 1 members, the expense represents approximately 1.6 times (1.7 times in 2012-2013) the employee contributions and, for Group 2 members, approximately 1.5 times (1.6 times in 2012-2013) the employee contributions.

The ERC'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 ERC 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. Information about the severance benefits, measured as at March 31, is as follows:

## RCMP EXTERNAL REVIEW COMMITTEE

### Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2014

#### 5. Employee future benefits (continued)

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.

	2014	2013
		(in dollars)
<b>Accrued benefit obligation - Beginning of year</b>	<b>99,806</b>	128,471
Expense for the year	<b>(68,694)</b>	(28,665)
Benefits paid during the year	<b>0</b>	0
<b>Accrued benefit obligation - End of year</b>	<b>31,112</b>	99,806

#### 6. Accounts receivable and advances

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

	2014	2013
		(in dollars)
Receivables – Other government departments and agencies	<b>11,426</b>	9,678
Receivables – External parties	<b>7,869</b>	0
Employee advances	<b>250</b>	0
<b>Net accounts receivable</b>	<b>19,545</b>	9,678

# RCMP EXTERNAL REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2014

(in dollars)

### 7. Tangible capital assets

Capital asset class	Cost				Accumulated amortization				Net book value	
	Opening balance	Acquisitions	Disposals & write-offs	Closing balance	Opening balance	Amortization	Disposals & write-offs	Closing balance	2014	2013
Other equipment including furniture	42,382	0	0	42,382	32,780	4,801	0	37,581	4,801	9,602
Leasehold improvements	172,232	0	0	172,232	172,232	0	0	172,232	0	0
Total	214,614	0	0	214,614	205,012	4,801	0	209,813	4,801	9,602

# RCMP EXTERNAL REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2014

### 8. Related party transactions

The ERC is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The ERC enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, the ERC 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 ERC received services without charge from certain common service organizations related to accommodation and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in the ERC's Statement of Operations and Departmental Net Financial Position as follows:

	2014	2013
	(in dollars)	
Accommodation	114,366	112,922
Employer's contribution to the health and dental insurance plans	85,417	82,846
<b>Total</b>	<b>199,783</b>	195,768

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 services organization so that one department performs services for all other departments and agencies without charge. The costs of these services, such as 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 ERC's Statement of Operations and Departmental Net Financial Position.

#### *(b) Other transactions with related parties*

	2014	2013
	(in dollars)	
Accounts receivable – Other government departments and agencies	11,426	9,678
Accounts payable – Other government departments and agencies	45,801	52,302
Expenses - Other government departments and agencies	264,239	315,841

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

# RCMP EXTERNAL REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2014

(in dollars)

### 9. Segmented information

Presentation by segment is based on the ERC'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 revenue 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:

	2014		2013
Expenses	Independent and impartial case review	Total	Total
<b>Operating expenses</b>			
Salaries and employee benefits	1,242,307	1,242,307	1,127,201
Professional and special services	308,996	308,996	349,634
Accommodation	114,366	114,366	112,922
Information	21,475	21,475	32,101
Communication	17,792	17,792	17,098
Utilities, material and supplies	13,976	13,976	13,782
Equipment	11,110	11,110	1,262
Amortization	4,801	4,801	94,089
Travel and relocation	3,066	3,066	9,484
Equipment rentals	2,883	2,883	3,479
Repairs	200	200	0
<b>Total operating expenses</b>	<b>1,740,972</b>	<b>1,740,972</b>	<b>1,761,051</b>
<b>Revenues</b>			
Responsible revenue	0	0	0
Miscellaneous revenues	374	374	0
Revenues earned on behalf of Government	(374)	(374)	0
<b>Total revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net cost from continuing operations</b>	<b>1,740,972</b>	<b>1,740,972</b>	<b>1,761,051</b>