

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, 2015, 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 ERC have not been audited.

Elizabeth Walker

Chair
Ottawa, Canada

Jamie Deacon

Chief Financial Officer
Ottawa, Canada

Date

Date

RCMP EXTERNAL REVIEW COMMITTEE

Statement of Financial Position (Unaudited)

As at March 31

(in dollars)

2015

2014

Liabilities

Accounts payable and accrued liabilities ([note 4](#))

152,348

155,510

Vacation pay and compensatory leave

25,760

26,438

Employee future benefits ([note 5](#))

52,956

31,112

Total liabilities

231,064

213,060

Financial assets

Due from Consolidated Revenue Fund

152,348

147,640

Accounts receivable and advances ([note 6](#))

4,856

19,545

Total financial assets

157,204

167,185

Departmental net debt

73,860

45,875

Non-Financial assets

Tangible capital assets ([note 7](#))

0

4,801

Total non-financial assets

0

4,801

Departmental net financial position

(73,860)

(41,074)

The accompanying notes form an integral part of these financial statements

Elizabeth Walker

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)

	2015 Planned Results	2015	2014
Expenses			
Independent and impartial case review	1,169,691	1,776,675	1,740,972
Total expenses	1,169,691	1,776,675	1,740,972
Revenues			
Miscellaneous revenues	0	372	374
Revenues earned on behalf of government	0	(372)	(374)
Total revenues	0	0	0
Net cost of operations before government funding and transfers	1,169,691	1,776,675	1,740,972
Government Funding and Transfers			
Net cash provided by Government		1,570,513	1,589,636
Change in due from the Consolidated Revenue Fund		4,708	18,236
Services provided without charge by other government departments (<u>note 8</u>)		196,382	199,783
Transfer of the transition payments for implementing salary payments in arrears (<u>note 9</u>)		(27,714)	0
Net cost of operations after government funding and transfers		32,786	(66,683)
Departmental net financial position - Beginning of Year		(41,074)	(107,757)
Departmental net financial position - End of Year		(73,860)	(41,074)

Segmented information (note 10)

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)

2015 2014

Net cost of operations after government funding and transfers 32,786 (66,683)

Change due to tangible capital assets

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

Total change due to tangible capital assets (4,801) (4,801)

Net increase (decrease) in departmental net debt 27,985 (71,484)

Departmental net debt - Beginning of Year 45,875 117,359

Departmental net debt - End of Year 73,860 45,875

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)

2015 2014

Operating activities

Net Cost of Operations before government funding and transfers 1,776,675 1,740,972

Non-cash items:

Amortization of tangible capital assets (note 7) (4,801) (4,801)

Services provided without charge by other government departments (note 8) (196,382) (199,783)

Transition payments for implementing salary payments in arrears (note 9) 27,714 0

Variations in Statement of Financial Position:

Increase (decrease) in accounts receivable and advances (14,689) 9,867

Decrease (increase) in accounts payable and accrued liabilities 3,162 (26,106)

Decrease (increase) in vacation pay and compensatory leave 678 793

Decrease (increase) in employee future benefits (21,844) 68,694

Cash used in operating activities 1,570,513 1,589,636

Net cash provided by Government of Canada 1,570,513 1,589,636

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, 2015

1. Authority and objectives

The Royal Canadian Mounted Police External Review Committee (ERC) is an independent administrative tribunal that contributes to fair and equitable labour relations and helps to reinforce accountability at all levels within the Royal Canadian Mounted Police (RCMP). Other than the courts, the ERC is the only independent review mechanism available to RCMP members and management for labour relations matters. The ERC conducts impartial reviews of appeals of certain conduct measures imposed on RCMP members and of written decisions regarding harassment complaints, revocations of appointments, discharges, demotions and ordered stoppages of pay and allowances. Case files dealing with these matters are referred to the ERC for review by the RCMP pursuant to sections 33 and 45.15 of the *Royal Canadian Mounted Police Act* and section 17 of the *Royal Canadian Mounted Police Regulations*. In conducting its reviews of referred case files, the ERC considers the entire file record that is provided by the RCMP which can include statements from members (complainants, respondents and others), video or audio records and testimony from witnesses, historical human resources file materials and other documentation. Once a review has been completed, the ERC provides findings and recommendations to the Commissioner of the RCMP (as the final decision maker) and to the parties. The ERC's findings and recommendations are directed at ensuring that the general principles of administrative law and labour law are respected and that the requirements of the RCMP Act and other relevant legislation, such as the *Canadian Human Rights Act*, are adhered to in decision making. In some cases, the ERC makes recommendations for broader change or for actions that might be taken to address issues raised in a file (e.g., changes in RCMP policies or management practices, or additional or new training for RCMP members or managers). Access to summaries of ERC findings and recommendations and to ERC reports and discussion papers is provided to RCMP members and the public through the ERC's website and publications, and through presentations or other outreach to RCMP members.

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:

2. Significant accounting policies (continued)

(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 “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 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, the incumbent 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.

2. Significant accounting policies (continued)

(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, employer contributions to the health and dental insurance plans, legal services and workers' compensation 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 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.

(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 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.

RCMP EXTERNAL REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2015

2. Significant accounting policies (continued)

(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

(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, 2015

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:

	2015	2014
		(in dollars)
Net cost of operations before government funding and transfers	1,776,675	1,740,972
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	(4,801)	(4,801)
Services provided without charge by other government departments	(196,382)	(199,783)
Decrease (increase) in vacation pay and compensatory leave	678	793
Decrease (increase) in employee future benefits	(21,844)	68,694
Refund of prior years' expenditures	0	53
Adjustments to previous years' payables at year-end	2,566	0
	(219,783)	(135,044)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Transition payments for implementing salary payments in arrears	27,714	0
	27,714	0
Current year authorities used	1,584,606	1,605,928

(b) Authorities provided and used:

	2015	2014
		(in dollars)
Vote 1 / Vote 60 – Program expenditures	1,610,094	1,639,562
Statutory amounts	154,521	160,657
	1,764,615	1,800,219
Less:		
Lapsed : Operating and transfer payments	(180,009)	(194,291)
Current year authorities used	1,584,606	1,605,928

RCMP EXTERNAL REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2015

4. Accounts payable and accrued liabilities

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

	2015	2014
		(in dollars)
Accounts payable to other government departments and agencies	51,657	45,801
Accounts payable to external parties	53,924	103,000
Total accounts payable	105,581	148,801
Accrued liabilities	46,767	6,709
Total accounts payable and accrued liabilities	152,348	155,510

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 2014-15 expense amounts to \$105,631 (\$112,958 in 2013-14). For Group 1 members, the expense represents approximately 1.41 times (1.6 times in 2013-14) the employee contributions and, for Group 2 members, approximately 1.39 times (1.5 times in 2013-14) 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.

RCMP EXTERNAL REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2015

5. Employee future benefits (continued)

(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:

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
		(in dollars)
Accrued benefit obligation - Beginning of year	31,112	99,806
Expense for the year	21,844	(68,694)
Benefits paid during the year	0	0
Accrued benefit obligation - End of year	52,956	31,112

6. Accounts receivable and advances

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

	2015	2014
		(in dollars)
Receivables – Other government departments and agencies	4,606	11,426
Receivables – External parties	0	7,869
Employee advances	250	250
Total accounts receivable	4,856	19,545

RCMP EXTERNAL REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2015

7. Tangible capital assets

	(in dollars)									
	Cost				Accumulated amortization				Net book value	
Capital asset class	Opening balance	Acquisitions	Disposals & write-offs	Closing balance	Opening balance	Amortization	Disposals & write-offs	Closing balance	2015	2014
Other equipment including furniture	42,382	0	0	42,382	37,581	4,801	0	42,382	0	4,801
Leasehold improvements	172,232	0	0	172,232	172,232	0	0	172,232	0	0
Total	214,614	0	0	214,614	209,813	4,801	0	214,614	0	4,801

RCMP EXTERNAL REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2015

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:

	2015	2014
		(in dollars)
Accommodations	114,148	114,366
Employer's contribution to the health and dental insurance plans	82,234	85,417
Total	196,382	199,783

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

	2015	2014
		(in dollars)
Accounts receivable – Other government departments and agencies	4,606	11,426
Accounts payable – Other government departments and agencies	51,657	45,801
Expenses – Other government departments and agencies	194,388	264,239

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

RCMP EXTERNAL REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2015

9. 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 ERC. However, it did result in the use of additional spending authorities by the ERC. 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.

10. 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 program, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

Expenses	2015		2014
	Independent and Impartial case review	Total	(in dollars) Total
Operating expenses			
Salaries and employee benefits	1,246,129	1,246,129	1,242,307
Professional and special services	347,765	347,765	308,996
Accommodation	114,148	114,148	114,366
Information	17,617	17,617	21,475
Communication	16,848	16,848	17,792
Utilities, material and supplies	18,958	18,958	13,976
Equipment	6,294	6,294	11,110
Amortization	4,801	4,801	4,801
Travel and relocation	1,054	1,054	3,066
Equipment rentals	3,061	3,061	2,883
Repairs	0	0	200
Total expenses	1,776,675	1,776,675	1,740,972
Revenues			
Miscellaneous revenue	372	372	374
Revenue earned on behalf of government	(372)	(372)	(374)
Total revenues	0	0	0
Net cost from continuing operations	1,776,675	1,776,675	1,740,972