

# 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, 2016, 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/rsracs/rprts/ae-ve/2012-eng.aspx>.

The financial statements of ERC have not been audited.

  
Elizabeth M. Walker  
Chair  
Ottawa, Canada

  
Jamie Deacon  
Executive Director and Chief Financial Officer  
Ottawa, Canada

  
Date

28.7.2016  
Date

# RCMP EXTERNAL REVIEW COMMITTEE

## Statement of Financial Position (Unaudited)

As at March 31

(in dollars)

2016 2015

### Liabilities

Accounts payable and accrued liabilities (note 4)	\$181,018	\$152,348
Vacation pay and compensatory leave	26,806	25,760
Employee future benefits (note 5)	65,614	52,956
<b>Total liabilities</b>	<b>273,438</b>	<b>231,064</b>

### Financial assets

Due from Consolidated Revenue Fund	181,018	152,348
Accounts receivable and advances (note 6)	1,323	4,856
<b>Total financial assets</b>	<b>182,341</b>	<b>157,204</b>

Departmental net debt 91,097 73,860

### Non-Financial assets

Tangible capital assets (note 7)	0	0
<b>Total non-financial assets</b>	<b>0</b>	<b>0</b>

Departmental net financial position \$(91,097) \$(73,860)

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



Elizabeth M. Walker

Chair

Ottawa, Canada



Jamie Deacon

Executive Director and Chief Financial Officer

Ottawa, Canada

July 28, 2016  
Date

28-7-2016  
Date

# RCMP EXTERNAL REVIEW COMMITTEE

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

For the year ended March 31

(in dollars)

	2016 Planned Results	2016	2015
<b>Expenses</b>			
Independent and impartial case review	\$1,067,697	\$1,727,568	\$1,776,675
<b>Total expenses</b>	<b>1,067,697</b>	<b>1,727,568</b>	<b>1,776,675</b>
<b>Revenues</b>			
Miscellaneous revenues	20	10	372
Revenues earned on behalf of government	(20)	(10)	(372)
<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>1,067,697</b>	<b>1,727,568</b>	<b>1,776,675</b>
<b>Government Funding and Transfers</b>			
Net cash provided by Government		1,477,630	1,570,513
Change in due from the Consolidated Revenue Fund		28,670	4,708
Services provided without charge by other government departments ( <u>note 8</u> )		204,031	196,382
Transfer of the transition payments for implementing salary payments in arrears ( <u>note 9</u> )		0	(27,714)
<b>Net cost of operations after government funding and transfers</b>		<b>17,237</b>	<b>32,786</b>
<b>Departmental net financial position - Beginning of Year</b>		<b>(73,860)</b>	<b>(41,074)</b>
<b>Departmental net financial position - End of Year</b>		<b>\$(91,097)</b>	<b>\$(73,860)</b>

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)

	2016	2015
<b>Net cost of operations after government funding and transfers</b>	\$17,237	\$32,786
<b>Change due to tangible capital assets</b>		
Amortization of tangible capital assets	0	(4,801)
<b>Total change due to tangible capital assets</b>	<b>0</b>	<b>(4,801)</b>
<b>Net increase (decrease) in departmental net debt</b>	<b>17,237</b>	<b>27,985</b>
<b>Departmental net debt - Beginning of Year</b>	<b>73,860</b>	<b>45,875</b>
<b>Departmental net debt - End of Year</b>	<b>\$91,097</b>	<b>\$73,860</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)

2016 2015

#### Operating activities

Net Cost of Operations before government funding and transfers \$1,727,568 \$1,776,675

#### Non-cash items:

Amortization of tangible capital assets (note 7) 0 (4,801)

Services provided without charge by other government departments (note 8) (204,031) (196,382)

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

#### Variations in Statement of Financial Position:

Increase (decrease) in accounts receivable and advances (3,533) (14,689)

Decrease (increase) in accounts payable and accrued liabilities (28,670) 3,162

Decrease (increase) in vacation pay and compensatory leave (1,046) 678

Decrease (increase) in employee future benefits (12,658) (21,844)

Cash used in operating activities 1,477,630 1,570,513

Net cash provided by Government of Canada \$1,477,630 \$1,570,513

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, 2016

### 1. Authority and objectives

The RCMP 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). 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.

The ERC has one program, Independent and impartial case review. The Treasury Board of Canada Secretariat granted the ERC an exemption from reporting on financial results to Internal Services as a separate program beginning in 2009-10, given the focused nature of the ERC program and the associated level of resources. These financial statements continue to present information indicating that the ERC has a single, distinct program, and do not provide information on Internal Services separately.

### 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:

# RCMP EXTERNAL REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2016

### 2. Summary of 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 *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 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, 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.

## 2. Summary of 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 and 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 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, 2016

### 2. Summary of 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

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

#### *(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, 2016

### 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:**

	2016	2015
		(in dollars)
Net cost of operations before government funding and transfers	\$1,727,568	\$1,776,675
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets (note 7)	0	(4,801)
Services provided without charge by other government departments (note 8)	(204,031)	(196,382)
Decrease (increase) in vacation pay and compensatory leave	(1,046)	678
Decrease (increase) in employee future benefits	(12,658)	(21,844)
Refund of prior years' expenditures	87	0
Adjustments to previous years' payables at year-end	8,049	2,566
	(209,599)	(219,783)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Transition payments for implementing salary payments in arrears (note 9)	0	27,714
	0	27,714
<b>Current year authorities used</b>	<b>\$1,517,969</b>	<b>\$1,584,606</b>

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

	2016	2015
		(in dollars)
Vote 1 – Program expenditures	\$1,491,043	\$1,610,094
Statutory amounts	154,130	154,521
	1,645,173	1,764,615
Less:		
Lapsed : Operating	(127,204)	(180,009)
<b>Current year authorities used</b>	<b>\$1,517,969</b>	<b>\$1,584,606</b>

## RCMP EXTERNAL REVIEW COMMITTEE

### Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2016

#### 4. Accounts payable and accrued liabilities

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

	2016	2015
		(in dollars)
Accounts payable to other government departments and agencies	\$64,248	\$51,657
Accounts payable to external parties	62,814	53,924
<b>Total accounts payable</b>	<b>127,062</b>	<b>105,581</b>
Accrued liabilities	53,956	46,767
<b>Total accounts payable and accrued liabilities</b>	<b>\$181,018</b>	<b>\$152,348</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 the 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 2015-16 expense amounts to \$106,242 (\$105,631 in 2014-15). For Group 1 members, the expense represents approximately 1.25 times (1.41 times in 2014-15) the employee contributions and, for Group 2 members, approximately 1.24 times (1.39 times in 2014-15) 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, 2016

#### 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:

	2016	2015
		(in dollars)
<b>Accrued benefit obligation - Beginning of year</b>	\$52,956	\$31,112
Expense for the year	12,658	21,844
Benefits paid during the year	0	0
<b>Accrued benefit obligation - End of year</b>	<b>\$65,614</b>	<b>\$52,956</b>

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.

#### 6. Accounts receivable and advances

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

	2016	2015
		(in dollars)
Receivables – Other government departments and agencies	\$1,073	\$4,606
Receivables – External parties	0	0
Employee advances	250	250
<b>Total accounts receivable</b>	<b>\$1,323</b>	<b>\$4,856</b>

**RCMP EXTERNAL REVIEW COMMITTEE**

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2016

**7. Tangible capital assets**

(in dollars)												
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	2016	2015		
Other equipment including furniture	\$42,382	\$0	\$0	\$42,382	\$42,382	\$0	\$0	\$42,382	\$0	\$0	\$0	\$0
Leasehold improvements	172,232	0	0	172,232	172,232	0	0	172,232	0	0	0	0
<b>Total</b>	<b>\$214,614</b>	<b>\$0</b>	<b>\$0</b>	<b>\$214,614</b>	<b>\$214,614</b>	<b>\$0</b>	<b>\$0</b>	<b>\$214,614</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# RCMP EXTERNAL REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2016

### 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. In addition, the ERC has an agreement with Public Safety Canada related to the provision of financial, contracting and procurement, human resource, information technology and security services. 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:

	2016	2015
	(in dollars)	
Accommodations	114,841	\$114,148
Employer's contribution to the health and dental insurance plans	89,190	82,234
<b>Total</b>	<b>\$204,031</b>	<b>\$196,382</b>

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 Services and Procurement 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*

	2016	2015
	(in dollars)	
Accounts receivable – Other government departments and agencies	\$1,073	\$4,606
Accounts payable – Other government departments and agencies	64,248	51,657
Expenses – Other government departments and agencies	479,365	194,388

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, 2016

### 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 Services and Procurement 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	2016		2015
	Independent and Impartial case review	Total	(in dollars) Total
<b>Operating expenses</b>			
Salaries and employee benefits	\$1,274,146	\$1,274,146	\$1,246,129
Professional and special services	273,516	273,516	347,765
Accommodation	114,841	114,841	114,148
Utilities, material and supplies	23,973	23,973	18,958
Information	13,774	13,774	17,617
Equipment	12,651	12,651	6,294
Communication	7,470	7,470	16,848
Travel and relocation	4,174	4,174	1,054
Equipment rentals	3,023	3,023	3,061
Amortization	0	0	4,801
<b>Total expenses</b>	<b>1,727,568</b>	<b>1,727,568</b>	<b>1,776,675</b>
<b>Revenues</b>			
Miscellaneous revenue	10	10	372
Revenue earned on behalf of government	(10)	(10)	(372)
<b>Total revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net cost from continuing operations</b>	<b>\$1,727,568</b>	<b>\$1,727,568</b>	<b>\$1,776,675</b>