

RCMP EXTERNAL REVIEW COMMITTEE

Statement of Management Responsibility (Unaudited)

Responsibility for the integrity and objectivity of the accompanying financial statements for the period ended March 31, 2017, 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 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 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 Comptroller 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 M. Walker

Chair
Ottawa, Canada

Jamie Deacon

Executive Director and Chief Financial Officer
Ottawa, Canada

August 1, 2017

Date

August 1, 2017

Date

RCMP EXTERNAL REVIEW COMMITTEE

Statement of Financial Position (Unaudited)

As at March 31

(in dollars)

2017

2016

Liabilities

Accounts payable and accrued liabilities (<u>note 4</u>)	\$182,839	\$181,018
Vacation pay and compensatory leave	41,481	26,806
Employee future benefits (<u>note 5</u>)	32,227	65,614

Total liabilities	256,547	273,438
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Financial assets

Due from Consolidated Revenue Fund	182,839	181,018
Accounts receivable and advances (<u>note 6</u>)	4,932	1,323

Total financial assets	187,771	182,341
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Departmental net debt	68,776	91,097
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Non-Financial assets

Tangible capital assets (<u>note 7</u>)	0	0
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Total non-financial assets	0	0
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Departmental net financial position	\$(68,776)	\$(91,097)
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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

August 1, 2017

Date

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RCMP EXTERNAL REVIEW COMMITTEE

Statement of Operations and Departmental Net Financial Position (Unaudited)

For the year ended March 31

(in dollars)

	2017 Planned Results	2017	2016
Expenses			
Appeal case review	\$1,742,879	\$1,716,550	\$1,727,568
Total expenses	1,742,879	1,716,550	1,727,568
Revenues			
Miscellaneous revenues	20	15	10
Revenues earned on behalf of government	(20)	(15)	(10)
Total revenues	0	0	0
Net cost of operations before government funding and transfers	1,742,879	1,716,550	1,727,568
Government Funding and Transfers			
Net cash provided by Government		1,522,607	1,477,630
Change in due from the Consolidated Revenue Fund		1,821	28,670
Services provided without charge by other government departments (<u>note 8</u>)		214,443	204,031
Net cost of operations after government funding and transfers		(22,321)	17,237
Departmental net financial position - Beginning of Year		(91,097)	(73,860)
Departmental net financial position - End of Year		\$(68,776)	\$(91,097)

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)

2017 2016

Net cost of operations after government funding and transfers \$(22,321) \$17,237

Net increase (decrease) in departmental net debt (22,321) 17,237

Departmental net debt - Beginning of Year 91,097 73,860

Departmental net debt - End of Year \$68,776 \$91,097

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)

2017 2016

Operating activities

Net cost of operations before government funding and transfers \$1,716,550 \$1,727,568

Non-cash items:

Services provided without charge by other government departments (note 8) (214,443) (204,031)

Variations in Statement of Financial Position:

Increase (decrease) in accounts receivable and advances 3,609 (3,533)

Decrease (increase) in accounts payable and accrued liabilities (1,821) (28,670)

Decrease (increase) in vacation pay and compensatory leave (14,675) (1,046)

Decrease (increase) in employee future benefits 33,387 (12,658)

Cash used in operating activities 1,522,607 1,477,630

Net cash provided by Government of Canada \$1,522,607 \$1,477,630

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, 2017

1. Authority and objectives

The Royal Canadian Mounted Police External Review Committee (ERC) contributes to fair and equitable labour relations and accountability within the Royal Canadian Mounted Police (RCMP) through its independent and impartial review of appeal case files. The ERC issues findings and recommendations to the Commissioner of the RCMP for final decisions to be made in appeals regarding critically important workplace and employment matters (e.g. appeals of decisions in harassment complaints, and of decisions to dismiss or demote an RCMP member for contravention of the RCMP *Code of Conduct*, to stop a member's pay and allowances when a member has been suspended from duty or to discharge a member for poor performance). The RCMP is required to refer appeal case files to the ERC for its review, findings and recommendations pursuant to the *Royal Canadian Mounted Police Act* and the *Royal Canadian Mounted Police Regulations*.

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 made available to RCMP members and the public through ERC publications and on the ERC website.

The ERC has one program, Appeal 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:

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 *2016-17 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 *2016-17 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.

For the year ended March 31, 2017

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, 2017

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:

	2017	2016
		(in dollars)
Net cost of operations before government funding and transfers	\$1,716,550	\$1,727,568
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Services provided without charge by other government departments (note 8)	(214,443)	(204,031)
Decrease (increase) in vacation pay and compensatory leave	(14,675)	(1,046)
Decrease (increase) in employee future benefits	33,387	(12,658)
Refund of prior years' expenditures	0	87
Adjustments to previous years' payables at year-end	93	8,049
	(195,638)	(209,599)
<i>Adjustments for items not affecting net cost of operations but affecting authorities :</i>		
Increase in salary overpayments	3,366	0
	3,366	0
Current year authorities used	\$1,524,278	\$1,517,969

(b) Authorities provided and used:

	2017	2016
		(in dollars)
<i>Vote 1 – Program expenditures</i>	\$1,490,040	\$1,491,043
Statutory amounts	156,133	154,130
	1,646,173	1,645,173
Less:		
Lapsed : Operating	(121,895)	(127,204)
Current year authorities used	\$1,524,278	\$1,517,969

RCMP EXTERNAL REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2017

4. Accounts payable and accrued liabilities

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

	2017	2016
		(in dollars)
Accounts payable to other government departments and agencies	\$59,602	\$64,248
Accounts payable to external parties	1,007	62,814
Total accounts payable	60,609	127,062
Accrued liabilities	122,230	53,956
Total accounts payable and accrued liabilities	\$182,839	\$181,018

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 2016-17 expense amounts to \$108,778 (\$106,242 in 2015-16). For Group 1 members, the expense represents approximately 1.12 times (1.25 times in 2015-16) the employee contributions and, for Group 2 members, approximately 1.08 times (1.24 times in 2015-16) 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, 2017

5. Employee future benefits (continued)

(b) Severance benefits

Severance benefits provided to the ERC'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, substantially 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:

	2017	2016
		(in dollars)
Accrued benefit obligation - Beginning of year	\$65,614	\$52,956
Expense for the year	(33,387)	12,658
Accrued benefit obligation - End of year	\$32,227	\$65,614

6. Accounts receivable and advances

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

	2017	2016
		(in dollars)
Receivables – Other government departments and agencies	\$1,316	\$1,073
Receivables – External parties	3,366	0
Employee advances	250	250
Total accounts receivable	\$4,932	\$1,323

RCMP EXTERNAL REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2017

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	2017	2016
Other equipment including furniture	\$42,382	\$0	\$0	\$42,382	\$42,382	\$0	\$0	\$42,382	\$0	\$0
Leasehold improvements	172,232	0	0	172,232	172,232	0	0	172,232	0	0
Total	\$214,614	\$0	\$0	\$214,614	\$214,614	\$0	\$0	\$214,614	\$0	\$0

RCMP EXTERNAL REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2017

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:

	2017	2016
	(in dollars)	
Accommodations	\$115,587	\$114,841
Employer's contribution to the health and dental insurance plans	98,856	89,190
Total	\$214,443	\$204,031

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

	2017	2016
	(in dollars)	
Accounts receivable – Other government departments and agencies	\$1,316	\$1,073
Accounts payable – Other government departments and agencies	59,602	64,248
Expenses – Other government departments and agencies	456,977	479,365

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, 2017

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

Expenses	2017		2016
	Appeal case review	Total	(in dollars) Total
Operating expenses			
Salaries and employee benefits	\$1,299,148	\$1,299,148	\$1,274,146
Professional and special services	254,486	254,486	273,516
Accommodation	115,587	115,587	114,841
Utilities, material and supplies	13,197	13,197	23,973
Information	20,636	20,636	13,774
Equipment	2,542	2,542	12,651
Communication	666	666	7,470
Travel and relocation	7,210	7,210	4,174
Equipment rentals	3,078	3,078	3,023
Total expenses	1,716,550	1,716,550	1,727,568
Revenues			
Miscellaneous revenue	15	15	10
Revenue earned on behalf of government	(15)	(15)	(10)
Total revenues	0	0	0
Net cost of operations before government funding and transfers	\$1,716,550	\$1,716,550	\$1,727,568