



Canadian Forces Grievance Board Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2013, and all information contained in these statements rests with the management of the Canadian Forces Grievance Board. These financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector.

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 Canadian Forces Grievance Board's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Canadian Forces Grievance Board'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 Canadian Forces Grievance Board and through conducting an annual 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 Canadian Forces Grievance Board will be subject to periodic Core Control Audits performed by the Office of the Comptroller General and will use the results of such audits to adhere to the Treasury Board Policy on Internal Control.

In the interim, the Canadian Forces Grievance Board has undertaken a risk-based assessment of the system of ICFR for the year ending March 31, 2013, in accordance with the Treasury Board Policy on Internal Control, the action plans are summarized in the annex.

The financial statements of Canadian Forces Grievance Board have not been audited.



Bruno Hamel, Chairperson
Ottawa, Canada
August 14, 2013



Cynthia Beeman, Chief Financial Officer
Ottawa, Canada
August 14, 2013



**Canadian Forces Grievance Board
Statement of Financial Position (Unaudited)
As at March 31**

(in dollars)

	<u>2013</u>	<u>2012</u>
Liabilities		
Liabilities		
Accounts payable and accrued liabilities (note 4)	\$ 398,795	\$ 402,562
Future Employee Benefits (note 5)	307,369	304,473
Vacation pay and compensatory leave	116,278	119,012
Total net liabilities	822,442	826,047
Financial Assets		
Due from Consolidated Revenue Fund	341,675	318,000
Accounts receivable and advances (note 6)	43,194	106,986
Total net financial assets	384,869	424,986
Departmental net debt	437,573	401,061
Non-financial assets		
Tangible capital assets (Note 7)	250,177	185,740
Departmental net financial position	\$ (187,396)	\$ (215,321)

Contractual obligations (Note 8)

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



Bruno Hamel, Chairperson
Ottawa, Canada
August 14, 2013



Cynthia Beeman, Chief Financial Officer
Ottawa, Canada
August 14, 2013



**Canadian Forces Grievance Board
Statement of Operations and Departmental Net Financial Position (unaudited)
For the Year Ended March 31**

(in dollars)

	2013 Planned Results	2013	2012
Expenses			
Review of Canadian Forces Grievances	\$ 4,466,000	\$ 4,017,130	\$ 3,995,240
Internal Services	2,452,000	2,065,974	2,302,887
Total Expenses	6,918,000	6,083,104	6,298,127
Revenues			
Miscellaneous Revenue	0	20	58,533
Total Revenue	0	20	58,533
Net cost of operations before government funding and transfers	6,918,000	6,083,084	6,239,594
Government funding and transfers			
Net cash provided by Government	6,564,000	5,776,117	6,356,834
Change in due from Consolidated Revenue Fund	(5,000)	23,675	14,303
Services provided without charge by other government departments (note 9)	295,000	311,217	295,449
Total Government funding and transfers	6,854,000	6,111,009	6,666,586
Net cost of operations after government funding and transfers	64,000	(27,925)	(426,992)
Departmental net financial position - Beginning of year		(215,321)	(642,313)
Departmental net financial position - End of year		\$ (187,396)	\$ (215,321)

Segmented Information (note 10)

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



**Canadian Forces Grievance Board
Statement of Change in Departmental Net Debt (Unaudited)
For the Year Ended March 31**

(in dollars)

	<u>2013</u>	<u>2012</u>
Net cost of operations after government funding and transfers	\$ (27,925)	\$ (426,992)
Change due to tangible capital assets		
Acquisition of tangible capital assets	136,858	36,217
Amortization of tangible capital assets	(72,421)	(90,937)
Total change due to tangible capital assets	<u>64,437</u>	<u>(54,720)</u>
Net increase (decrease) in departmental net debt	36,512	(481,712)
Departmental net debt - Beginning of year	401,061	882,773
Departmental net debt - End of year	<u>\$ 437,573</u>	<u>\$ 401,061</u>

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



**Canadian Forces Grievance Board
Statement of Cash Flow (Unaudited)
For the Year Ended March 31**

(in dollars)

	<u>2013</u>	<u>2012</u>
Operating Activities		
Net Cost of Operations before government funding and transfers	\$6,083,084	\$6,239,594
Non-cash items		
Amortization of tangible capital assets	(72,421)	(90,937)
Services provided without charges from other government departments (note 9)	(311,217)	(295,449)
Variation in Statement of Financial Position		
Decrease (increase) in accounts payables and accrued liabilities	3,767	(68,561)
Increase (decrease) in receivables and advances	(63,792)	86,917
Decrease (increase) in future employee benefits	(2,896)	449,540
Decrease (increase) in vacation pay	2,734	(487)
Cash used by operating activities	<u>5,639,259</u>	<u>6,320,617</u>
Capital Investment Activities		
Acquisitions of capital assets	136,858	36,217
	<u>136,858</u>	<u>36,217</u>
Net cash provided by Government of Canada	<u>\$5,776,117</u>	<u>\$6,356,834</u>

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



Canadian Forces Grievance Board
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

1. Authority and Objectives

The Canadian Forces Grievance Board (the Board) is an independent arms-length organization that was created through amendments to the National Defence Act (NDA) approved by Parliament on December 10, 1998. The amendments that were made to the NDA were aimed at modernizing and strengthening the military justice system, making the whole grievance review process simpler and shorter for members of the Canadian Forces. The Board's mandate is to review grievances in order to render fair and impartial findings and recommendations in a timely and informal manner to the Chief of Defence staff and the grievor.

The Board became the Military Grievances External Review Committee (MGERC), through the enactment of Bill C-15 (An Act to amend the National Defence Act and to make consequential amendments to other Acts). The bill received Royal Assent June 19th, 2013.

The Board operates under the following program activities:

- Review of Canadian Forces Grievances referred by the Chief of the Defence Staff: conduct fair, transparent and timely reviews of grievances referred to the Board.
- Internal services: support a common government-wide approach to planning, designing, budgeting, reporting and communicating.



**Canadian Forces Grievance Board
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31**
(in dollars)

2. Summary of Significant Accounting Policies

These financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

- (a) Parliamentary authorities – The Board is financed by the Government of Canada through Parliamentary authorities. Financial reporting authorities provided to the Board do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Departmental Net Financial Position and in the Statement of Financial Position, are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the Statement of Operations and Departmental Net Financial Position are the amounts reported in the future-oriented financial statements included in the *2012-13 Report on Plans and Priorities*.
- (b) Net Cash Provided by Government - The Board operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Board is deposited to the CRF and all cash disbursements made by the Board 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 federal Government.
- (c) Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Board is entitled to draw from the CRF without further authorities to discharge its liabilities.
- (d) Revenues:
 - Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
 - Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.
- (e) Expenses – Expenses are recorded on the accrual basis:
 - Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
 - Services provided without charge by other government departments for employer contributions to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.



**Canadian Forces Grievance Board
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31**

(in dollars)

(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 Board's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The Board'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 are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivables are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for accounts receivable where recovery is considered uncertain.

(h) Tangible capital assets – All tangible assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. The Board does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	Amortization Period
Informatics Hardware	3 to 5 years
Informatics Software	3 years
Other Equipment	10 years

(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 contingent liabilities, the liability for employee severance 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.



Canadian Forces Grievance Board
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

3. Parliamentary Authorities

The Board receives most of its funding through annual Parliamentary authorities. Items recognized in the Statement of Operations and the Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Board 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

	2013	2012
Net cost of operations before government funding and transfers	\$6,083,084	\$6,239,594
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(72,421)	(90,937)
Services provided without charge by other government department	(311,217)	(295,449)
Decrease (increase) in vacation pay and compensatory leave	2,734	(487)
Decrease (increase) in future employee benefits	(2,896)	449,540
Revenue not available for spending	20	0
Refunds of prior years' expenditures	14,074	58,533
Total items affecting net cost of operations but not affecting authorities	(369,706)	121,200
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	136,858	36,217
Total for items not affecting net cost of operations but affecting authorities:	136,858	36,217
Current year authorities used	\$5,850,236	\$6,397,011



**Canadian Forces Grievance Board
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31**
(in dollars)

(b) Authorities provided and used

	<u>2013</u>	<u>2012</u>
Authorities provided:		
Vote 15 - Operating expenditures	\$ 6,438,397	\$ 6,840,189
Statutory amounts	574,025	669,410
Less:		
Lapsed : Operating	(1,162,186)	(1,112,588)
Current year authorities used	<u>\$ 5,850,236</u>	<u>\$ 6,397,011</u>



**Canadian Forces Grievance Board
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31**
(in dollars)

4. Accounts payable and accrued liabilities

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

	2013	2012
	<i>(in dollars)</i>	
Accounts payable - Other government departments and agencies	\$ 6,751	\$ 84,634
Accounts payable – external parties	187,451	150,443
Total accounts payable	\$ 194,202	\$ 235,077
Accrued liabilities	\$ 204,593	\$ 167,485
Total accounts payable and accrued liabilities	\$ 398,795	\$ 402,562



Canadian Forces Grievance Board
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

5. Employee Future Benefits

(a) Pension benefits

The Board's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension plans benefits and they are indexed to inflation.

Both the employees and the Board contribute to the cost of the Plan. The 2012-2013 expense amounts to \$409,854 (\$481,305 in 2011-12 - restated), which represents approximately 1.7 times (1.8 in 2011-2012) the contributions by employees.

The Board'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 Board 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. As of March 31, 2013, the severance benefits accumulated totaled \$307,369 dollars.

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.

	<u>2013</u>	<u>2012</u>
	<i>(in dollars)</i>	
Accrued benefit obligation, Beginning of year	\$304,473	\$754,013
Benefits paid during the year	(2,896)	449,540
Accrued benefit obligation, End of year	<u>\$307,369</u>	<u>\$304,473</u>



Canadian Forces Grievance Board
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

6. Accounts receivable and advances

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

	2013	2012
	<i>(in dollars)</i>	
Receivables from other government departments and agencies	\$ 42,694	\$ 106,486
Employee advances	500	500
Net accounts receivable	\$ 43,194	\$ 106,986



Canadian Forces Grievance Board
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

7. Tangible Capital Assets

Capital Asset Class	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Acquisitions	Closing Balance	Opening balance	Amortization	Closing Balance	2013	2012
Informatics Hardware	\$577,045	\$ 104,298	\$681,343	\$436,703	\$ 58,531	\$495,235	\$186,108	\$ 140,341
Informatics Software	45,007	32,560	77,567	26,935	9,950	36,884	40,683	18,073
Other Equipment	39,401	0	39,401	12,075	3,940	16,015	23,386	27,326
Total	\$661,453	\$ 136,858	\$798,311	\$475,713	\$ 72,421	\$548,134	\$250,177	\$ 185,740



Canadian Forces Grievance Board
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

8. Contractual obligations

The nature of the Board's activities can result in some large multi-year contracts and obligations whereby the Board will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2014	2015	2016	2017	2018	Thereafter
Operating Lease*	\$599,301	\$605,900	\$612,572	\$619,317	\$626,136	\$633,031

* The operating lease is due for renewal at the end of 2015.



**Canadian Forces Grievance Board
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31**
(in dollars)

9. Related party transactions

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

	<u>2013</u>	<u>2012</u>
Employers contribution to the health and dental insurance plans	311,217	\$286,449
Legal fees	0	9,000
Total	<u>\$311,217</u>	<u>\$295,449</u>

The Government has centralized some of its administrative activities for efficiency and cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General are not included in the Department's Statement of Operations and Departmental Net Financial Position.

(b) Other transaction with related parties

	<u>2013</u>	<u>2012</u>
Accounts receivable – Other government departments and agencies	42,694	106,486
Accounts payable – Other government departments and agencies	6,751	84,634
Expenses – Other government departments and agencies	941,386	961,905

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



Canadian Forces Grievance Board
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31
(in dollars)

10. Segmented information

The presentation by segment is based on the Board's two program activities, which are Internal Services and the Review of Canadian Forces Grievances. The presentation by segment is based on the same accounting policies as described in the Summary of Significant Accounting Policies in note 2. The following table presents the expenses incurred and revenues generated for the main program activities, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

Operating expenses	Internal Services	Review of CF Grievances	2013 Total	2012 Total
Salaries and Employee Benefits Plan	\$ 1,346,979	\$ 3,035,243	\$ 4,382,222	\$ 4,365,446
Transportation and Information	28,547	57,090	85,637	206,896
Professional and Special Services	47,846	7,965	55,811	27,842
Rental of office space and equipment	407,814	386,233	794,047	877,175
Purchased Repair Maintenance	184,330	420,774	605,104	599,363
Utilities, Materials and Supplies	7,221	15,844	23,065	33,634
Amortization of tangible capital assets	6,842	8,986	15,828	26,172
Acquisition of non-capital assets	21,726	50,695	72,421	90,937
Other	28,246	34,089	62,335	70,662
	(13,577)	211	(13,366)	
Total Operating Expenses	2,065,974	4,017,130	6,083,104	\$6,298,127
Revenues				
Miscellaneous revenues	20	0	20	58,533
Total Revenues	20	0	20	58,533
Net cost from operations before government funding and transfers	\$ 2,065,954	\$ 4,017,130	\$ 6,083,084	\$ 6,239,594



Annex to the Statement of Management Responsibility including Internal Control over Financial Report of the Canadian Forces Grievance Board for fiscal year 2012-13 (unaudited)

1. Introduction

In support of an effective system of internal control, the Canadian Forces Grievance Board annually assesses the performance of its financial controls to ensure:

- financial arrangements or contracts are entered into only when sufficient funding is available;
- payments for goods and services are made only when the goods or services are received or the conditions of contracts or other arrangements have been satisfied; and
- payments have been properly authorized

The Canadian Forces Grievance Board will leverage the results of the periodic audit of core controls performed by the Office of the Comptroller General.

2. Assessment results during fiscal year 2012-2013

The Canadian Forces Grievance Board reviewed and updated internal control policies for financial reporting, financial risk assessment /management, monitoring and governance. Entity level controls were developed for these processes.

3. Assessment plan

The Canadian Forces Grievance Board will continue to monitor the performance of its system of internal control with a focus on the core controls related to financial transactions.