

SECURITY INTELLIGENCE REVIEW COMMITTEE

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2012, and all information contained in these statements rests with the management of the Security Intelligence Review Committee. 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 Security Intelligence Review Committee's financial transactions. Financial information submitted in the preparation of the *Public Accounts of Canada*, and included in the Security Intelligence Review Committee'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 Security Intelligence Review Committee 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 ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2012 was completed in accordance with the Treasury Board *Policy on Internal Control* and the results and action plans are summarized in the annex.

The financial statements of the Security Intelligence Review Committee have not been audited.

Hon. Charles Strahl
Chair

Susan Pollak
Executive Director, Senior Financial Officer

Ottawa, Canada
August 31, 2012

SECURITY INTELLIGENCE REVIEW COMMITTEE

Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)

2012

2011

Liabilities

Accounts payable (note 4)	322	291
Vacation pay	99	92
Employee future benefits (note 5)	126	318
Total net liabilities	547	701

Assets

Financial assets

Due from Consolidated Revenue Fund	299	269
Accounts receivable and advances (note 6)	20	21

Total net financial assets	319	290
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Departmental net debt	228	411
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Non-financial assets

Tangible capital assets (note 7)	30	31
Total non-financial assets	30	31

Departmental net financial position	(198)	(380)
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Contractual obligations (note 8)

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

Hon. Charles Strahl
Chair

Susan Pollak
Executive Director, Senior Financial Officer

Ottawa, Canada
August 31, 2012

SECURITY INTELLIGENCE REVIEW COMMITTEE

Statement of Operations and Departmental Net Financial Position (Unaudited)

For the year ended March 31

(in thousands of dollars)	Planned Results 2012	2012	2011
Expenses			
Complaints	902	438	552
Reviews	1,179	1,043	1,102
Internal Services	1,275	1,626	1,459
Total Expenses	3,356	3,107	3,113
Net cost of operations before government funding and transfers	3,356	3,107	3,113
Government funding and transfers			
Net cash provided by Government	-	2,796	2,520
Change in due from the Consolidated Revenue Fund	-	30	195
Services provided without charge by other government departments (note 9)	-	463	456
Net cost of operations after government funding and transfers	-	(182)	(58)
Departmental net financial position - Beginning of year		(380)	(438)
Departmental net financial position - End of year		(198)	(380)

Segmented information (note 10)

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

SECURITY INTELLIGENCE REVIEW COMMITTEE

Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31

(in thousands of dollars)	2012	2011
Net cost of operations after government funding and transfers	(182)	(58)
Change due to tangible capital assets		
Acquisition of tangible capital assets	13	14
Amortization of tangible capital assets	(14)	(9)
Total change due to tangible capital assets	(1)	5
Net increase (decrease) in departmental net debt	(183)	(53)
	-	-
Departmental net debt - Beginning of year	411	464
Departmental net debt - End of year	228	411

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

SECURITY INTELLIGENCE REVIEW COMMITTEE

Statement of Cash Flow (Unaudited)

For the year ended March 31

(in thousands of dollars)	2012	2011
Operating activities		
Net cost of operations before government funding and transfers	3,107	3,113
Non-cash items:		
Amortization of tangible capital assets (note 7)	(14)	(9)
Services provided without charge by other government departments (note 9)	(463)	(456)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	(1)	(26)
Decrease (increase) in accounts payables	(31)	(100)
Decrease (increase) in vacation pay	(7)	9
Decrease (increase) in employee future benefits	192	(25)
Cash used in operating activities	2,783	2,506
Capital investing activities		
Acquisitions of tangible capital assets (note 7)	13	14
Cash used in capital investing activities	13	14
Net cash provided by Government of Canada	2,796	2,520

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

SECURITY INTELLIGENCE REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

1. Authority and objectives

The Security Intelligence Review Committee was created to provide external review the Canadian Security Intelligence Service (CSIS) performance of its duties and functions; and to examine complaints by individuals or reports by Minister related to security of Canada.

The Security Intelligence Review Committee derives its powers from the Canadian Security Intelligence Service (CSIS) Act promulgated on July 16, 1984. The first Chair and Members were appointed by His Excellency the Governor General on November 30, 1984. Security Intelligence Review Committee is empowered to set its own Rules of Procedures, and to employ an executive director and adequate staff to support its activities. The Act requires Security Intelligence Review Committee, not later than September 30 in each fiscal year, to report the Minister of Public Safety and Emergency Preparedness who must, in turn, table the report in each House of Parliament on any of the first fifteen days on which that House is sitting after the day the Minister receives it. Security Intelligence Review Committee may also require CSIS or the Inspector General appointed under CSIS Act to conduct a review of specific activities of the Service and provide Security Intelligence Review Committee with a report of the review.

To achieve its strategic outcome and to deliver results for Canadians, the Security Intelligence Review Committee articulates its plans and priorities based on core program activities included below.

1.1 Reviews

The Purpose of the Review Program is to conduct reviews of CSIS activities to ensure that CSIS performs its duties and functions appropriately and effectively, and in accordance with legislation, policy and Ministerial Direction. Through a comprehensive and multifaceted program of research, Security Intelligence Review Committee staff examine various aspects of CSIS's operations and activities to prepare a retrospective analysis for the Committee's approval.

1.2 Complaints

The purpose of the Complaints Program is to receive and investigate complaints about CSIS brought forward by individuals or groups. When doing so, the Security Intelligence Review Committee acts as an independent, quasi-judicial administrative tribunal pursuant to the *CSIS Act*. The Security Intelligence Review Committee conducts investigations in relation to: complaints "with respect to any act or thing done by the Service" as described in the *CSIS Act*; complaints about denials of security clearances to federal government employees and contractors; referrals from the Canadian Human Rights Commission in cases where the complaint relates to the security of Canada; and, reports made pursuant to S.19 of the *Citizenship Act*.

1.3 Internal Services

This activity captures all of the corporate costs associated with the day to day operations of the organization (e.g. informatics, asset management, accommodations, security, corporate reporting, information management, etc.). Also, the administration of meetings attended by Committee Members, are captured within this Program Activity.

SECURITY INTELLIGENCE REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

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 Security Intelligence Review Committee is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Security Intelligence Review Committee do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the Statement of Operations and Departmental Net Financial Position are the amounts reported in the future-oriented financial statements included in the 2011-12 Report on Plans and Priorities.

(b) Net Cash Provided by Government

The Security Intelligence Review Committee operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Security Intelligence Review Committee is deposited to the CRF, and all cash disbursements made by the Security Intelligence Review Committee 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) Due from the CRF

Amounts due from 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 Security Intelligence Review Committee is entitled to draw from the CRF without further appropriations to discharge its liabilities.

(d) 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.

(e) Employee future benefits

- ✓ Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer pension plan administered by the Government. The Security Intelligence Review Committee's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The Security Intelligence Review Committee's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
- ✓ Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

SECURITY INTELLIGENCE REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

2. Summary of significant accounting policies (continued)

(f) Accounts receivables

Accounts receivables are stated at the lower of cost and net recoverable value; a valuation allowance is recorded for receivables where recovery is considered uncertain.

(g) Tangible capital assets

Tangible capital assets having an initial cost of \$3,000 or more are recorded at their acquisition cost. The Security Intelligence Review Committee does not capitalize intangibles assets, 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:

<u>Asset class</u>	<u>Amortization Period</u>
Informatics hardware	3 years
Informatics software	3 years
Other equipment	3 years

(h) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities 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.

SECURITY INTELLIGENCE REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

3. Parliamentary authorities

The Security Intelligence Review Committee receives most of 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 Security Intelligence Review Committee 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

(in thousands of dollars)	2012	2011
Net cost of operations before government funding and transfers	3,107	3,113
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets (note 5)	(14)	(9)
Services provided without charge by other government departments (note 9)	(463)	(456)
(Increase) decrease in vacation pay	(7)	9
(Increase) decrease in employee future benefits	192	(25)
Refund of prior years' expenditures	6	37
	(286)	(444)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Acquisition of tangible capital assets (note 5)	13	14
	13	14
Current year authorities used	2,834	2,683

(b) Authorities provided and used

(in thousands of dollars)	2012	2011
Authorities provided:		
Vote - Program expenditures	3,091	2,900
Statutory amounts - Contributions to employee benefits plan	297	232
Less:		
Lapsed authorities	(554)	(777)
Current year authorities used	2,834	2,355

4. Accounts payable

The following table presents details of the Security Intelligence Review Committee's accounts payable:

(in thousands of dollars)	2012	2011
Accounts payable - External parties	263	247
Accounts payable - Other government departments and agencies	59	44
Total accounts payable	322	291

SECURITY INTELLIGENCE REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

5. Employee future benefits

(a) Pension benefits

The Security Intelligence Review Committee's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. 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 Security Intelligence Review Committee contribute to the cost of the Plan. The 2011-12 expense amounts to \$267,732 (\$254,860 in 2010-11), which represents approximately 1,8 times (1,9 times in 2010-11) the contributions by employees.

The Security Intelligence Review Committee'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 Security Intelligence Review Committee 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 the 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.

(in thousands of dollars)	2012	2011
Accrued benefit obligation - Beginning of year	318	293
Expense for the year	26	91
Benefits paid during the year	(218)	(66)
Accrued benefit obligation - End of year	126	318

6. Accounts receivable

The following table presents details of the Security Intelligence Review Committee accounts receivable:

(in thousands of dollars)	2012	2011
Receivables - Other government departments and agencies	20	20
Receivables - External parties	-	1
Net accounts receivable	20	21

SECURITY INTELLIGENCE REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

7. Tangible capital assets

(in thousands of dollars)		Cost				Accumulated Amortization					Net Book Value	
Cost	Opening Balance	Acquisitions	Adjustments	Disposals and write-offs	Closing Balance	Opening Balance	Amortization	Adjustments	Disposals and write-offs	Closing Balance	2012	2011
(in thousands of dollars)												
Informatics hardware	45	5	-	-	50	37	3	-	-	40	10	8
Informatics software	6	4	-	-	10	-	2	-	-	2	8	6
Other equipment	50	4	-	-	54	33	9	-	-	42	12	17
	101	13	-	-	114	70	14	-	-	84	30	31

SECURITY INTELLIGENCE REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

9. Related party transactions

The Security Intelligence Review Committee is related as a result of common ownership to all government departments, agencies, and Crown Corporations. The Security Intelligence Review Committee enters into transactions with these entities in the normal course of business and on normal trade terms.

In addition, the Security Intelligence Review Committee has an agreement with Privy Council Office related to the provision of finance and administration services which is included in section b). During the year, the Security Intelligence Review Committee 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 Security Intelligence Review Committee 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 Security Intelligence Review Committee's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2012	2011
Accommodation	309	306
Employer's contribution to the health and dental insurance plans	154	150
Total	463	456

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 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 are not included in the Security Intelligence Review Committee's Statement of Operations and Departmental Net Financial Position.

b) Other transactions with related parties

(in thousands of dollars)	2012	2011
Expenses - Other Government departments and agencies	319	411

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

SECURITY INTELLIGENCE REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

10. Segmented information

Presentation by segment is based on the Security Intelligence Review Committee's program activity 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 for the main program activities, and by major object of expense. The segment results for the period are as follows:

(in thousands of dollars)	Complaints	Reviews	Internal Services	2012	2011
Expenses					
Salaries and employee benefits	256	917	896	2,069	2,178
Professional and special services	155	66	191	412	244
Accommodation	-	-	309	309	306
Transportation and telecommunications	22	29	98	149	170
Acquisition of machinery and equipment	4	-	41	45	101
Purchased repair and maintenance	-	-	36	36	24
Information	-	31	9	40	43
Amortization of tangible capital assets	-	-	14	14	9
Rentals	1	-	12	13	17
Utilities, materials and supplies	-	-	20	20	20
Other	-	-	-	-	1
Total Expenses	438	1,043	1,626	3,107	3,113
Net cost of operations	438	1,043	1,626	3,107	3,113

SECURITY INTELLIGENCE REVIEW COMMITTEE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

11. Accounting changes

During 2011, amendments were made to *Treasury Board Accounting Standard 1.2—Departmental and Agency Financial Statements* to improve financial reporting by government departments and agencies. The amendments are effective for financial reporting of fiscal years ending March 31, 2012, and later. The significant changes to the Security Intelligence Review Committee's financial statements are described below. These changes have been applied retroactively, and comparative information for 2010-11 has been restated.

Net debt (calculated as liabilities less financial assets) is now presented in the Statement of Financial Position. Accompanying this change, the Security Intelligence Review Committee now presents a Statement of Change in Net Debt and no longer presents a Statement of Equity.

Government funding and transfers, as well as the credit related to services provided without charge by other government departments, are now recognized in the Statement of Operations and Departmental Net Financial Position below "Net cost of operations before government funding and transfers." In previous years, the Security Intelligence Review Committee recognized these transactions directly in the Statement of Equity of Canada.

(in thousands of dollars)	2011 As previously stated	Effect of the adjustment	2011 Restated
Government funding and transfers			
Net cash provided by Government	-	2,520	2,520
Change in due from Consolidated Revenue Fund	-	195	195
Services provided without charge by other government departments	-	456	456

12. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.