

AIR CANADA COMPONENT OF CUPE
TRUSTEES' REPORT

July 01, 2006 to June 30, 2007

Sisters and Brothers,

This is our final report following the audit of the financial statements for the year ended June 30 2007. As per article 7.4 of the Bylaws, the Trustees have on behalf of the members reviewed the books and accounts of the Secretary-Treasurer's office and the Component Committees. It is the responsibility of the Trustees to ensure accurate and reliable accounting records are maintained and to suggest appropriate controls. In our observations we highlight those areas where progress has been made, as well as areas of on-going concern.

We would like to address the Secretary Treasurer's response to concerns raised in our last audit regarding the Belfield Road building purchase.

The following is an excerpt from her response:

"Any suggestion that the By-laws regarding the building's purchase have been contravened is not correct. The Air Canada Component By-laws do not require that a referendum vote take place prior to the purchase of any real estate. This position has been confirmed by legal counsel in February 2008."

The opportunity to clear up any misunderstanding that had arisen from the purchase was missed. By failing to fully explain the issue regarding our use of the word *purchase*, the members were led to believe we were wrong. Article 4.9 of the Bylaws states:

"The right to sell, convey, or encumber any real estate held by the Component shall be ratified by a two-thirds (2/3) majority of all of the members of the ACCEX representing at least half (1/2) of the total membership and shall also be ratified by a Membership Referendum Vote in accordance with Appendix "B" of these Bylaws."

A short definition of the word, encumber, is "*to burden with legal or financial obligations*". We chose the word *purchase* because we believe its meaning includes and summarizes the entire process of acquiring real estate. The *purchase* of the Belfield Road building fits within that definition and as such violated Article 4.9 of our Air Canada Component Bylaws. A vote was not taken at the ACCEX level and the membership was not afforded a referendum vote.

Title to the building was not registered correctly by the previous executive. The current Executive has corrected the registration of the property, a requirement that has unfortunately cost the membership thousands of dollars.

We stand by our previous statements regarding the Belfield Road purchase.

Air Transat Funding

The Trustees continue to be concerned with our commitment to provide supplemental funding to the Air Transat Component of up to \$565,000.

From the ACC Bylaws:

Section 5 – FUNDING OF THE AIR TRANSAT COMPONENT

5.1 The Air Transat Component will receive supplemental funding from the ACC to ensure minimum annual funding of \$565,000 when combined with the total Air Transat Component union dues. The Air Transat Component will provide a copy of the justification of the number of its dues paying members and the amount of union dues remitted by its employer as directed by the ACC Secretary-surer on a monthly basis in order for the ACC to determine if the supplemental funding is required and in what amount. This supplemental funding shall be provided on a monthly basis once satisfactory justification has been provided.

The Trustees continue to recommend a review of Section 5 of the Bylaws.

Minutes and Protocols

We are pleased to note an overall improvement in the quality of the minutes from ACCEX meetings. The current minutes indicate procedure is being followed and contain sufficient detail.

Expense Policy Manual

An expense policy manual has been drafted and approved by the Component Executive. All Committee members should familiarize themselves with this document.

The Trustees continue to recommend a written policy on cash advances be included in the expense manual.

Special Arrangements for Expenses

The Trustees do not oppose special agreements or arrangements for expenses as long as they can save the Component money and are properly documented in individual expense files. Measures should be taken to ensure transparency and avoid misunderstanding.

Hotel Committee

The Trustees found on more than one occasion members from different bases reviewed the same hotel in a two month period.

We recommend a central site for allocation of hotel reviews for all bases, thus eliminating any costly overlaps of reviewing the same hotel by more than one base.

Committees in General

We recommend a more detailed system of financial reporting, including a base-by-base allocation of expense.

Paperless Communication

We are satisfied with the progress of paperless communication and are pleased with the resulting savings.

Component Trustee Bylaw

Re: Section 7.4(g) of the component bylaws.

The Component Trustees shall:

7.4 (g) Send a copy of the completed audit report (on the prescribed form provided by the CUPE National Secretary-Treasurer), as well as a copy of their report to the ACCEX, a copy of their recommendations and/or concerns sent to the Component President and the Component Secretary-Treasurer and the Component Secretary-Treasurer's response, to the CUPE National Secretary-Treasurer, with a copy to the assigned CUPE National Representative and to the membership.

The wording of this clause is vague. The order of reporting to the governing bodies should be clarified.

We recommend an amendment of the bylaw for clarification purposes. The amendment should include procedures for flight releases. This will help future Trustees receive fair compensation. Trustees are elected officers and should be compensated for any required training.

Bylaw Committee

The Trustees recommend that bylaws provide direction with respect to confidentiality of communication during an audit.

Scheduling of Trustees

The Secretary-Treasurer was not prepared for us to perform our audit. Arrangements were made with the Secretary Treasurer and our in-house accountant for a Trustee review in May. The Trustee review follows completion of the annual audit by our external auditor. Upon our arrival, it was discovered the audit was not signed off and a review could not be completed. Flight releases had been obtained to commence the audit and hotel and travel expenses were incurred. In October, the Trustees returned to find no trustee package, auditor's notes or an approved budget available. Although our arrival date had been planned in advance with all parties involved, the Secretary-Treasurer and the accountant left early that day requiring yet another visit. Not being prepared for our arrival results in a waste of our time, and creates unnecessary expense to the component.

Accounting Procedures

Certain elements of General Accounting Principles are not being followed. As an example, our property taxes are being charged to building maintenance in error. Property taxes should be charged to the existing property tax account.

The Trustees recommend a further review of accounting/reporting for this period.

Wage Indemnity Plan

The Trustees recommend investigating the feasibility of the Wage Indemnity Plan operating under the governance of the Air Canada Component.

Closing Remarks

The Trustees are grateful to have had the privilege of serving the interests of the membership. It has been a tremendous learning experience for us as we broke ground for the first term of office for the Air Canada Component of CUPE Trustees.

We would like to encourage others who may be interested in running for an office or becoming more involved to consider the Trustee position at the local or component level. Becoming a Trustee is an excellent opportunity for members to gain insight into the operations and committees of the Union. The experience helps develop the knowledge required to confidently pursue other opportunities within the Union.

Trustees serve an important role in monitoring the activities of the Secretary-Treasurer. As a Trustee it is important to understand you represent the interests of the membership and answer only to them. Trustees answer to the President only to the degree they fulfill their obligation in accordance with the bylaws.

The Trustees would like to express thanks to the Component administrative staff for their help with the audit. We would also like to thank the membership for their support and extend our best wishes to the new Trustees.

In solidarity,

Evelyn Bell-Bedard

J.P. de Verteuil

Pam Sarkissian



April 14, 2009

COMPONENT SECRETARY-TREASURER'S RESPONSE TO THE COMPONENT TRUSTEES REPORT OF JULY 01, 2006 - JUNE 30, 2007

As the newly-elected Secretary-Treasurer, my mandate, under the Air Canada Component By-Laws, requires that a response be provided to the Component Trustees report.

I have reviewed the proposals brought forward by the Trustees. While acknowledging that there is always room for improvement, it is apparent that there was effective fiscal administration prior to my term. I am pleased to add that during the research process, it was clear that we are in a strong financial position which bodes well for the upcoming negotiations.

Following you will find my responses to the Trustees' recommendations.

Belfield Road Purchase

This concern was reported and replied to during the audit of October 2004 - June 2006.

Air Transat Funding

This concern was reported and replied to during the audit of October 2004 - June 2006 (see excerpt below).

"The Air Canada Component's commitment to provide supplemental funding to the Air Transat Component is reflected in both the Air Canada Component and Airline Division By-laws.

While the Air Canada Membership could amend the Air Canada Component By-laws via ratification, the Airline Division By-laws would also require amendment (article 4.7.a).

Any amendment of the Airline Division By-laws (Article 5.9.c) require that a two thirds majority vote of delegates present and voting at Airline Division Conference support the amendment. In addition it requires agreement by all members of the Council of Component Presidents, of which Air Transat's Component President is a member.

For clarity, the Air Transat Component would have to willingly absolve the Air Canada Component from the requirement to provide supplementary funding."

Expense Policy Manual

The approving of cash advances is done on an exceptional basis. A written policy on cash advances will be included in the expense policy manual.

Hotel Committee

This recommendation appears not to have been investigated. All hotel reviews are scheduled by the Component Hotel Chairperson. Any crew layover property that is inspected more than once within the contractual period is due to reported safety and security issues that require immediate attention. Other than per diems, Air Canada covers all costs associated with site inspections.

Committees in General

A system of a base-by-base allocation of expenses was in place at the time of the audit.

Scheduling of Trustees

Both the Secretary-Treasurer and our In-house accountant remained available to the Trustees throughout the scheduled review. Unaudited financial statements were available at the time of the first scheduled review. Final Audited statements were provided to the Trustees as soon as they were completed by an external independent accounting firm.

Accounting Procedures

All accounting procedures are reviewed on an annual basis as part of the production of the audited financial statements. These audited financial statements are prepared by an external accounting firm.

Wage Indemnity Plan

Although the W.I.P. Board of Trustees is an independent body they are accountable to the Air Canada Component. The Wage Indemnity Plan is governed by a "Declaration of Trust". This document clearly outlines the reporting structure regarding finances and the W.I.P. Board of Trust's responsibility to report to the Air Canada Component of CUPE Executive on an annual basis.

Closing Remarks

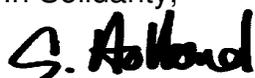
In the interest of clarity, the role of Component Trustees is to review the financial affairs of the Union and to offer recommendations if there are areas identified that could benefit from improvement.

The Component Executive (comprised of the Component President, Component Vice-President, Component Secretary-Treasurer and the 4 Local Base Presidents), is the governing body of the Union and may elect to adopt some or all of these recommendations, but there is no obligation to do so.

CUPE National has an established Trustee's Audit Program which outlines and reviews the procedures and the role of the Trustees, the accountants and the Secretary-Treasurer in regards to the performing of the "Trustee Review". This program would have been utilized had any issues regarding communication been identified during the audit.

The Component Officers thank the Trustees for their time and efforts in conducting the review and the resulting report.

In Solidarity,



Susan Holland, Component Secretary-Treasurer