

Office of the Commissioner for Federal Judicial Affairs Canada
Statement of Management Responsibility

Departmental management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements are based on the best information available and assumptions adopted as at February 13, 2013 and reflect the plans described in the Report on Plans and Priorities. The future-oriented financial information has been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

William A. Brooks
Commissioner

Ottawa, Canada
February 13, 2013

Wayne Osborne
Chief Financial Officer

Ottawa, Canada
February 13, 2013

Office of the Commissioner for Federal Judicial Affairs Canada
Future-Oriented Statement of Financial Position
As at March 31
(in thousands of dollars)

	Estimated Results 2013	Forecast 2014
Liabilities		
Accounts payable and accrued liabilities	\$ 1,729	\$ 1,713
Vacation pay and compensatory leave	311	330
Judges' Supplementary Retirement Benefits Account (Note 7)	185,121	193,827
Employee future benefits (Note 8)	409	343
Total Liabilities	187,570	196,213
Financial assets		
Due from Consolidated Revenue Fund	3,662	3,637
Accounts receivable and advances	1,236	1,244
Total financial assets	4,898	4,881
Departmental net debt	182,672	191,332
Non-financial assets		
Prepaid expenses	399	413
Tangible capital assets (Note 6)	211	173
Total non-financial assets	610	586
Departmental net financial position	\$ 182,062	\$ 190,746

Information for the year ended March 31, 2013 includes actual amounts from April 1, 2012 to December 31, 2012.

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

William A. Brooks
Commissioner

Ottawa, Canada
February 13, 2013

Wayne Osborne
Chief Financial Officer

Ottawa, Canada
February 13, 2013

Office of the Commissioner for Federal Judicial Affairs Canada
Future-Oriented Statement of Operations and Departmental Net Financial Position
For the Year Ended March 31
(in thousands of dollars)

	Estimated Results 2013	Forecast 2014
Expenses		
Payments Pursuant to the <i>Judges' Act</i>	\$ 466,265	\$ 479,486
Federal Judicial Affairs	9,849	8,932
Canadian Judicial Council	2,010	1,916
Internal Services	876	855
Total expenses	479,000	491,189
Revenues		
Payments Pursuant to the <i>Judges' Act</i>	13,900	14,000
Federal Judicial Affairs	275	275
Total revenues	14,175	14,275
Net cost of operations before government funding	464,825	476,914
Government funding		
Net cash provided by Government	454,838	466,522
Change in due from Consolidated Revenue Fund	145	(25)
Services provided without charge by other government departments	1,699	1,733
Net cost of operations after government funding	8,143	8,684
Departmental net financial position – Beginning of year	173,919	182,062
Departmental net financial position – End of year	\$ 182,062	\$ 190,746

Information for the year ended March 31, 2013 includes actual amounts from April 1, 2012 to December 31, 2012.

Segmented information (Note 10).

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

Office of the Commissioner for Federal Judicial Affairs Canada
Statement of Change in Department Net Debt
For the Year Ended March 31
(in thousands of dollars)

	Estimated Results 2013	Forecast 2014
Net cost of operations after government funding	\$ 8,143	\$ 8,684
Change due to tangible capital assets		
Acquisition of tangible capital assets	100	50
Amortization of tangible capital assets	(85)	(88)
Total change due to tangible capital assets	15	(38)
Change due to prepaid expenses	162	14
Net increase (decrease) in departmental net debt	8,320	8,660
Departmental net debt – Beginning of year	174,352	182,672
Departmental net debt – End of year	\$ 182,672	\$ 191,332

Information for the year ended March 31, 2013 includes actual amounts from April 1, 2012 to December 31, 2012.

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

Office of the Commissioner for Federal Judicial Affairs Canada
Future-Oriented Statement of Cash Flows
For the Year Ended March 31
(in thousands of dollars)

	Estimated Results 2013	Forecast 2014
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Operating activities		
Net cost of operations before government funding	\$ 464,825	\$ 476,914
Non-cash items:		
Amortization of tangible capital assets (Note 6)	(85)	(88)
Services provided without charge by other government departments	(1,699)	(1,733)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivables and advances	(25)	8
Increase (decrease) in prepaid expenses	162	14
Decrease (increase) in liabilities	73	16
Decrease (increase) in vacation pay and compensatory	(3)	(19)
Decrease (increase) in future employee benefits	196	66
Decrease (increase) in Judges' Supplementary Benefits Accounts	(8,706)	(8,706)
	<hr/>	<hr/>
Cash used by operating activities	454,738	466,472
	<hr/>	<hr/>
Capital investing activities		
Acquisition of tangible capital assets (Note 6)	100	50
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Net cash provided by Government of Canada	\$ 454,838	\$ 466,522
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Information for the year ended March 31, 2013 includes actual amounts from April 1, 2012 to December 31, 2012.

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

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Future-Oriented Financial Statements

1. Authority and Objectives

The Office of the Commissioner for Federal Judicial Affairs (FJA) Canada was created in 1978 under the authority of the *Judges Act* to safeguard the independence of the Judiciary and to put federally appointed judges at arm's length from the administration of the Department of Justice. It exists to promote better administration of justice and focuses its efforts on providing a sound support role to the federal judiciary.

It administers three distinct and separate components that are funded from three very distinct sources. Statutory funding is allocated for the judges' salaries, allowances and annuities and surviving beneficiaries' benefits. Vote appropriations are provided in two separate votes to support the administrative activities of the Office of the Commissioner and the administrative activities of the Canadian Judicial Council.

The administration of the Office of the Commissioner is structured to reflect the distinctiveness of its role in supporting federal judicial activities. Under the Program Alignment Architecture, the organization is broken down into three programs: Payments Pursuant to the *Judges Act*; Canadian Judicial Council; and Federal Judicial Affairs (FJA).

These programs strive to meet our priorities of: developing organizational capacity; building a strong, integrated team; improving service delivery; enhancing communications; and managing information

2. Significant assumptions

The future-oriented financial statements have been prepared on the basis of the government priorities and the plans of the department as described in the Report on Plans and Priorities.

The main assumptions are as follows:

- (a) The department's activities, in accordance with the Program Alignment Architecture, will remain substantially the same as for the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- (c) Allowances for uncollectability are based on historical experience. The general historical pattern is expected to continue.
- (d) Estimated year end information for 2012-13 is used as the opening position for the 2013-14 planned results.

These assumptions are adopted as at February 13, 2013.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to accurately forecast final results for the remainder of 2012-13 and 2013-14, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these financial statements the Office of the Commissioner for Federal Judicial Affairs Canada has made estimates and assumptions concerning the future. These estimates and judgements may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

- (a) The timing and amounts of acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.
- (b) Implementation of new collective agreements.

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Future-Oriented Financial Statements

- (c) Economic conditions may affect both the amount of revenue earned and the collectability of loan receivables.
- (d) Interest rates in effect at the time of issue will affect the net present value of non-interest bearing loans.
- (e) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the Report on Plans and Priorities is presented, the Office of the Commissioner for Federal Judicial Affairs Canada will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

4. Summary of Significant Accounting Policies

The future-oriented financial statements have been prepared in accordance with Treasury Board accounting policies stated below, which are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting principles.

Significant accounting policies are as follows:

(a) Parliamentary authorities

FJA is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to FJA 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 Future-oriented Statement of Operations and Departmental Net Financial Position and in the Future-oriented Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between these bases of reporting.

(b) Net Cash Provided by Government

FJA operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by FJA is deposited to the CRF and all cash disbursements made by departments are paid from the CRF. The net cash provided by the 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 FJA 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.

(e) Expenses

Expenses are recorded on an accrual basis:

Vacation pay and compensatory leave are accrued as the benefits are earned by the employees under their respective terms of employment.

Services provided without charge by other government departments for accommodation and the employer's contribution to the health and dental insurance plans are recorded as operating expenses at their estimated costs.

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Future-Oriented Financial Statements

(f) Employee and federally appointed judges' future benefits

- (i) Pension benefits: Eligible employees participate in the Public Service Pension Plan (PSSA), a multiemployer pension plan administered by the Government of Canada. FJA's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. FJA's responsibility with regard to the Plan is limited to its contributions. Current legislation does not require FJA to make contributions for any actuarial deficiencies of the Plan.
- (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 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.
- (iii) Federally appointed judges' pension benefits: Eligible federally appointed judges and their survivors are entitled to fully indexed annuities providing that the judges meet minimum age and service requirements. The main benefits paid from this plan are recorded on a pay-as-you-go basis. They are included in the Future-oriented Statement of Operations and Departmental Net Financial Position as a component of salaries and benefits, and the judges' contributions are credited to revenue. Contributions made by FJA and the judges pertaining to the portion of the plan that relates to indexation of benefits is recorded in a Supplementary Retirement Benefits Account, which is presented in the Future-oriented Statement of Financial Position. FJA's contribution towards indexation is expensed at the time it is accrued in accordance with the *Supplementary Retirement Benefits Act*. The actuarial liability associated with the judges' pension plan is recorded in the financial statements of the Government of Canada, the ultimate sponsor of the plan.

(g) Accounts and loans receivable

Accounts and loans receivable are stated at the lower of cost and net recoverable value. A valuation allowance is record for receivables where recovery is considered uncertain.

(h) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of \$5,000 or more are recorded at their acquisition cost. FJA 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
Machinery & Equipment	5 to 10 years
Furniture	10 years
Informatics Hardware	3 years
Software	3 years

(i) Measurement of uncertainty

The preparation of these future-oriented financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses reported in the future-oriented 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.

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Future-Oriented Financial Statements

5. Parliamentary Authorities

FJA receives most of its funding through expenditure authorities provided by Parliament. Items recognized in the Future-oriented Statement of Operations and Departmental Net Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, FJA 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) Authorities requested

<i>(in thousands of dollars)</i>	Estimated Results 2013	Forecast 2014
Authorities requested		
Vote 20 - Operating expenditures - FJA	8,711	7,837
Vote 25 - Operating expenditures - CJC	1,579	1,517
Statutory Authorities – EBP	982	786
Statutory amounts – <i>Judges Act</i>	460,786	473,535
Total Forecast Authorities Available	472,058	483,675
Lapse	0	0
Total Forecast Authorities to be used	<u>472,058</u>	<u>483,675</u>

Authorities presented reflect current forecasts of statutory items, approved initiatives included and expected to be included in Estimates documents and, when reasonable estimates can be made, estimates of amounts to be allocated from Treasury Board central votes.

(b) Reconciliation of net cost of operations to requested authorities

<i>(in thousands of dollars)</i>	Estimated Results 2013	Forecast 2014
Net cost of operations	464,825	476,914
Adjustment for items affecting net cost of operations but not affecting authorities: Add (Less):		
Services provided without charge by other government departments (Note 9)	(1,699)	(1,733)
Decrease (increase) in employee future benefits	51	(169)
Amortization of tangible capital assets (Note 6)	(85)	(88)
Judges' pension contributions	8,706	8,706
Increase in vacation pay and compensatory leave	(2)	(19)
	6,971	6,697
Adjustments for items not affecting net cost of operations but affecting authorities: Add (Less):		
Acquisitions of tangible capital assets (Note 6)	100	50
Decrease (increase) in prepaid expenses	162	14
	262	64
Total Forecast Authorities to be used	<u>472,058</u>	<u>483,675</u>

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Future-Oriented Financial Statements

6. Tangible capital assets

<i>(in thousands of dollars)</i>	Estimated Results 2013	Forecast 2014
Opening balance	196	211
Acquisition of tangible capital assets	100	50
Less: Current year amortization	(85)	(88)
Net Book Value	<u>211</u>	<u>173</u>

7. Judges' Supplementary Retirement Benefits Account

<i>(in thousands of dollars)</i>	Estimated Results 2013	Forecast 2014
Liability, beginning of year	176,415	185,121
Contributions	6,338	6,338
Interest	2,368	2,368
Liability, end of year	<u>185,121</u>	<u>193,827</u>

The pension plan for federally appointed judges provides fully indexed annuities to judges and to all eligible survivors providing they meet minimum age and service requirements. Unlike other pension plans, the judges' plan lacks an explicit accrual rate for benefits. Instead the full benefit amount is generally payable when the member has completed 15 years of pensionable service and the total of the member's age and years of service totals 80. Judges who elect Supernumerary Status or judges who qualify for retirement make required contributions of 1% of salary. All other judges make contributions of 7% of salary.

The main benefits from this plan are expensed on a pay-as-you-go basis. However, by virtue of the *Supplementary Retirement Benefits Act*, for the portion of the plan that relates to indexation of benefits, the 1% portion of salary contributed by the judges is recorded in a Supplementary Retirement Benefits Account, along with a matching contribution of 1% recorded by FJA. In addition, interest is accrued on the outstanding balance of the Account. The actuarial liability associated with the judges' pension plan is recorded in the financial statements of the Government of Canada.

8. Employee future benefits

(a) Pension benefits

FJA'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% 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 FJA contribute to the cost of the Plan. The forecast amounts to \$701,148 in 2013-2014 and \$561,047 in 2012-2013, which represents approximately 1.8 times the contributions by employees.

FJA'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

FJA 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:

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Future-Oriented Financial Statements

As part of collective agreement negotiations with certain employee groups, the accumulation of severance benefits under the employee severance pay program ceased for certain employees commencing in 2012. Employees subject to these changes were 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 considered in estimating severance benefits.

<i>(in thousands of dollars)</i>	Estimated Results 2013	Forecast 2014
Accrued benefit obligation, beginning of year	605	409
Expense for the year	(51)	169
Benefits paid during the year	(145)	(235)
Accrued benefit obligation, end of year	409	343

9. Related party transactions

FJA is related as a result of common ownership to all Government departments, agencies, and Crown Corporations. FJA enters into transactions with these entities in the normal course of business and on normal trade terms.

(a) Common services provided without charge by other government departments

During the year, FJA 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 FJA's Future-oriented Statement of Operations and Departmental Net Financial Position as follows:

<i>(in thousands of dollars)</i>	Estimated Results 2013	Forecast 2014
Accommodation provided by Public Works and Government Services Canada	1,197	1,233
Contributions covering employer's share of employees' insurance premiums and costs paid by Treasury Board Secretariat	502	500
Total	1,699	1,733

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 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 FJA's Future-oriented financial statements.

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Future-Oriented Financial Statements

10. Segmented information

Presentation by segment is based on FJA'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 4. The following table presents the estimated 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:

<i>(in thousands of dollars)</i>	Estimated Results 2013	Internal Services	Federal Judicial Affairs	Canadian Judicial Council	<i>Judges' Act</i>	Planned Results 2014
Operating Expenses						
Salaries and employee benefits	437,670	582	4,576	1,267	443,687	450,112
Transportation and telecommunications	30,070	50	800	50	29,610	30,510
Information	(94)	-	45	10	(11)	44
Professional and special services	4,459	200	2,068	271	1,000	3,539
Accommodation	1,197	-	990	243	-	1,233
Rentals	70	-	60	10	-	70
Repairs and maintenance	200	-	195	5	-	200
Utilities, materials and supplies	100	23	37	40	-	100
Machinery and equipment	(20)	-	10	20	-	30
Amortization	85	-	88	-	-	88
Other subsidies/payments	5,263	-	63	-	5,200	5,263
Total operating expenses	479,000	855	8,932	1,916	479,486	491,189
Revenues						
Pension contributions*	13,900	-	-	-	14,000	14,000
User charges	275	-	275	-	-	275
Total Revenues	14,175	-	275	-	14,000	14,275
Net Cost of Operations	464,825	855	8,657	1,916	465,486	476,914

*Judges' pension contribution credited to revenue