

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

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2011 and all information contained in these statements rests with the management of the Office of the Commissioner for Federal Judicial Affairs Canada (FJA). 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 FJA's financial transactions. Financial information submitted in the preparation of the *Public Accounts of Canada* and included in FJA'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 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 also 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; and through communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout FJA.

The financial statements of the Office of the Commissioner for Federal Judicial Affairs Canada have not been audited.

Marc Giroux
Deputy Commissioner

Ottawa, Canada
July 25th, 2011

Wayne Osborne
Chief Financial Officer

Ottawa, Canada
July 25th, 2011

Office of the Commissioner for Federal Judicial Affairs Canada
Statement of Financial Position (Unaudited)
For the Year Ended March 31
(in dollars)

	<u>2011</u>	<u>2010</u>
ASSETS		Restated (Note 11)
Financial assets		
Due from Consolidated Revenue Fund	4,274,224	2,936,992
Accounts receivable and advances (Note 4)	<u>1,191,417</u>	<u>3,696,692</u>
Total financial assets	<u>5,465,641</u>	<u>6,633,684</u>
Non-financial assets		
Prepaid expenses	410,858	146,504
Tangible capital assets (Note 5)	<u>279,900</u>	<u>278,712</u>
Total non-financial assets	<u>690,758</u>	<u>425,216</u>
TOTAL	<u><u>6,156,399</u></u>	<u><u>7,058,900</u></u>
LIABILITIES AND EQUITY OF CANADA		
Liabilities		
Accounts payable and accrued liabilities (Note 6)	2,400,961	1,829,343
Vacation pay and compensatory leave	309,169	323,353
Judges' Supplementary Retirement Benefits Account (Note 7)	166,966,191	157,221,586
Employee future benefits (Note 8b)	<u>1,171,287</u>	<u>1,334,119</u>
Total Liabilities	<u>170,847,608</u>	<u>160,708,401</u>
Equity of Canada	(164,691,209)	(153,649,501)
TOTAL	<u><u>6,156,399</u></u>	<u><u>7,058,900</u></u>

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

 Marc Giroux
 Deputy Commissioner

 Wayne Osborne
 Chief Financial Officer

Ottawa, Canada
 July 25th, 2011

Ottawa, Canada
 July 25th, 2011

Office of the Commissioner for Federal Judicial Affairs Canada
Statement of Operations (Unaudited)
For the Year Ended March 31
(in dollars)

	<u>2011</u>	<u>2010</u>
Expenses		
Payments Pursuant to the <i>Judges' Act</i>	442,896,938	427,517,934
Federal Judicial Affairs	9,153,213	9,978,744
Canadian Judicial Council	1,992,620	2,004,417
Internal Services	913,050	913,350
Total expenses	<u>454,955,821</u>	<u>440,414,445</u>
Revenues		
Payments Pursuant to the <i>Judges' Act</i>	13,373,817	13,062,794
Federal Judicial Affairs	206,848	140,068
Total revenues	<u>13,580,665</u>	<u>13,202,862</u>
Net cost of operations	<u><u>441,375,156</u></u>	<u><u>427,211,583</u></u>

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 Equity of Canada (Unaudited)
For the Year Ended March 31
(in dollars)

	<u>2011</u>	<u>2010</u>
		Restated (Note 11)
Equity of Canada, beginning of year	(153,649,501)	(145,973,800)
Net cost of operations	(441,375,156)	(427,211,583)
Net cash provided by Government	427,389,934	418,776,433
Change in due from the Consolidated Revenue Fund	1,337,231	(825,791)
Services provided without charge by other government departments (Note 9a)	1,606,283	1,585,240
Equity of Canada, end of year	<u>(164,691,209)</u>	<u>(153,649,501)</u>

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

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

	<u>2011</u>	<u>2010</u>
Operating activities		
Net cost of operations	441,375,156	427,211,583
Non-cash items:		
Amortization of tangible capital assets (Note 5)	(93,138)	(53,895)
Services provided without charge by other government departments (Note 9a)	(1,606,283)	(1,585,240)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivables and advances	(2,505,275)	2,408,422
Increase (decrease) in prepaid expenses	264,354	(149,998)
Decrease (increase) in liabilities	(571,618)	419,047
Decrease (increase) in vacation pay and compensatory	14,184	(84,927)
Decrease (increase) in future employee benefits	162,832	(267,848)
Decrease (increase) in Judges' Supplementary Benefits Accounts	<u>(9,744,605)</u>	<u>(9,312,275)</u>
Cash used by operating activities	<u>427,295,607</u>	<u>418,584,869</u>
Capital investing activities		
Acquisition of tangible capital assets (Note 5)	94,327	191,564
Net cash provided by Government of Canada	<u><u>427,389,934</u></u>	<u><u>418,776,433</u></u>

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

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (unaudited)
Year ended March 31, 2011

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 Activity Architecture, the organization is broken down into three program activities: Payments Pursuant to the *Judges Act*; Canadian Judicial Council; and Federal Judicial Affairs (FJA).

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

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with the 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 generally accepted 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 Statement of Operations and 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.
- (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 Consolidated Revenue Fund (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 appropriations 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.

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (unaudited)
Year ended March 31, 2011

- (e) Expenses - Expenses are recorded on the 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.
- (f) Employee and federally appointed judges' future benefits
- (i) Pension benefits - Eligible employees participate in the Public Service Pension Plan (PSSA) multi-employer 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. 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 the services necessary to earn them. 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 Statement of Operations 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 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 receivables 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 with an assumed residual value of zero (\$0) over the estimated useful life of the capital asset as follows:

Asset Class	Amortization Period
Machinery and Equipment	5 to 10 years
Furnishings & Fixtures	10 years
Informatics Hardware & Software	3 years
Work-in-Progress (WIP) - Software	Once in service, in accordance with asset type

- (i) Measurement of 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,

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (unaudited)
Year ended March 31, 2011

management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are 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.

3. Parliamentary Authorities

FJA receives most of its funding through annual Parliamentary authorities. Items recognized in the Statement of Operations and the Statement of 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) Reconciliation of net cost of operations to current year authorities used

<i>(in dollars)</i>	2011	2010
Net cost of operations	441,375,156	427,211,583
Adjustment for items affecting net cost of operations but not affecting authorities:		
Services provided without charge by other government departments (Note 9)	(1,606,283)	(1,585,240)
Decrease (increase) in employee future benefits	162,832	(267,848)
Amortization of tangible capital assets (Note 5)	(93,138)	(53,895)
Decrease (increase) in vacation pay and compensatory leave	14,184	(84,927)
Judges' pension contributions	13,373,817	13,062,794
Refund of prior years' expenditures	678	6,527
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	94,327	191,564
Proceeds from disposal of crown assets	452	-
Decrease (increase) in prepaid expenses	264,354	(149,998)
Current year authorities used	<u>453,586,379</u>	<u>438,330,560</u>

(b) Authorities provided and used

<i>(in dollars)</i>	2011	2010
Authorities provided:		
Vote 20 - Operating expenditures - FJA	8,599,759	8,910,897
Vote 25 - Operating expenditures - CJC	1,703,166	1,774,796
Statutory amounts	444,096,879	428,363,682
Less:		
Authorities available for future years	(452)	-
Lapsed: Operating	(812,973)	(718,815)
Current year authorities used	<u>453,586,379</u>	<u>438,330,560</u>

4. Accounts receivable and advances

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

<i>(in dollars)</i>	2011	2010
Receivables from other Federal Government Departments and agencies	256,401	2,007,061
Receivables from external parties	20,330	77,619
Advances	914,686	1,612,012
Total	<u>1,191,417</u>	<u>3,696,692</u>

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (unaudited)
Year ended March 31, 2011

5. Tangible capital assets

(in dollars)

Cost					Accumulated Amortization				Net Book Value	
Capital asset class	Opening Balance	Acquisitions	Disposals and write-offs	Closing Balance	Opening Balance	Amortization	Disposals and write-offs	Closing Balance	2011	2010
Machinery & Equipment	70,293	-	-	70,293	43,898	6,600	-	50,498	19,795	26,395
Informatics Hardware	442,443	77,585	-	520,028	353,283	59,472	-	412,755	107,272	89,160
Software	102,806	16,742	155,195	274,743	96,799	25,111	-	121,910	152,833	6,006
Furniture	19,552	-	-	19,552	17,597	1,955	-	19,552	-	1,956
WIP Software	155,195	-	(155,195)	-	-	-	-	-	-	155,195
TOTAL	790,289	94,327	-	884,616	511,577	93,138	-	604,715	279,900	278,712

Disposals of assets under constructions represent assets that were put into use in the year and have been transferred to the other capital asset classes as applicable.

6. Accounts payable and accrued liabilities

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

(in dollars)	2011	2010
Accounts payable to other government departments and agencies	188,305	303,659
Accounts payable to external parties	2,182,730	1,431,467
Accrued liabilities	29,926	94,217
Total	2,400,961	1,829,343

7. Judges' Supplementary Retirement Benefits Account

(in dollars)	2011	2010
Liability, beginning of year	157,221,586	147,909,311
Contributions	5,939,724	5,756,685
Interest	3,804,881	3,555,590
Liability, end of year	166,966,191	157,221,586

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.

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (unaudited)
Year ended March 31, 2011

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 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 FJA contribute to the cost of the Plan. The 2010-11 expense amounts to \$650,912 (\$718,991 in 2009-10), which represents approximately 1.9 times (1.9 in 2009-10) 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 final salary. 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:

<i>(in dollars)</i>	2011	2010
Accrued benefit obligation, beginning of year	1,334,119	1,066,271
Expense for the year	(162,832)	267,848
Accrued benefit obligation, end of year	1,171,287	1,334,119

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. During the year, FJA 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, 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 Statement of Operations as follows:

<i>(in dollars)</i>	2011	2010
Accommodation provided by Public Works and Government Services Canada	1,154,285	1,109,540
Contributions covering employer's share of employees' insurance premiums and costs paid by Treasury Board Secretariat	451,998	475,700
Total	1,606,283	1,585,240

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 Statement of Operations.

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (unaudited)
Year ended March 31, 2011

(b) Other transactions with related parties

<i>(in dollars)</i>	2011	2010
Accounts receivable with other government departments and agencies (Note 4)	256,401	2,007,061
Accounts payable to other government departments and agencies (Note 6)	188,305	303,659
Expenses – Other Government departments and agencies	1,109,307	1,335,476
Revenues – Other Government departments and agencies	181,396	110,000

10. Segmented information

Presentation by segment is based on FJA'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 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 dollars)</i>					2011	2010
	Internal Services	Federal Judicial Affairs	Canadian Judicial Council	Judges' Act	Total	Total
Operating Expenses						
Salaries and employee benefits	640,050	4,928,636	1,239,013	406,273,667	413,081,366	400,490,591
Transportation and telecommunication	58,881	591,451	115,785	30,693,068	31,459,185	29,611,402
Information	1,700	84,653	3,152	1,720	91,225	67,928
Professional and special services	194,878	2,292,368	289,402	535,197	3,311,845	3,088,746
Accommodation (Note 9a)	-	926,938	227,347	-	1,154,285	1,109,540
Rental	1,848	49,349	34,854	9,528	95,579	100,007
Repairs and maintenance	12,417	54,769	17,988	-	85,174	321,288
Utilities, materials and supplies	2,492	62,936	26,048	1,930	93,406	115,287
Machinery and equipment	-	175,422	33,186	-	208,608	212,427
Amortization (Note 5)	-	93,138	-	-	93,138	53,895
Other subsidies/payments	784	(106,447)	5,845	5,381,828	5,282,010	5,243,334
Total operating expenses	913,050	9,153,213	1,992,620	442,896,938	454,955,821	440,414,445
Total Expenses	913,050	9,153,213	1,992,620	442,896,938	454,955,821	440,414,445
Revenues						
Pension contribution*	-	-	-	13,373,817	13,373,817	13,062,794
User charges	-	206,396	-	-	206,396	(140,068)
Other revenue	-	452	-	-	452	-
Total Revenues	-	206,848	-	13,373,817	13,580,665	13,202,862
Net Cost of Operations	913,050	8,946,365	1,992,620	429,523,121	441,375,156	427,211,583

*Judges' pension contribution credited to revenue

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (unaudited)
Year ended March 31, 2011

11. Adoption of new accounting policies

During the year, the department adopted the revised Treasury Board accounting policy TBAS 1.2: Departmental and Agency Financial Statements which is effective for FJA for the 2010-11 fiscal year. The major change in the accounting policies of FJA required by the adoption of the revised TBAS 1.2 is the recording of amounts due from the Consolidated Revenue Fund as an asset on the Statement of Financial Position.

The adoption of the new Treasury Board accounting policies have been accounted retroactively with the following impact on comparatives for 2009-10:

	2010 As previously stated	Effect of changes	2010 Restated
Statement of Financial Position		<i>(in dollars)</i>	
Assets	\$ 4,121,908	2,936,992	\$ 7,058,900
Equity of Canada	\$ 156,586,493	(2,936,992)	\$ 153,649,501