

Office of the Commissioner for Federal Judicial Affairs Canada
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, 2016, 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 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 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 (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 FJA 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 on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

FJA 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, FJA has undertaken a risk-based assessment of the system of ICFR for the year ended March 31, 2016, in accordance with the Treasury Board *Policy on Internal Control*, and the results and action plan are summarized in the annex.

The financial statements of FJA have not been audited.

(original signed by) _____
Marc A. Giroux
Deputy Commissioner

Ottawa, Canada
September 1, 2016

(original signed by) _____
Errolyn Humphreys
Chief Financial Officer

Ottawa, Canada
September 1, 2016

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

| | <u>2016</u> | <u>2015</u> |
|---|---------------------------------------|---------------------------------------|
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 4) | \$ 3,243,038 | \$ 3,211,087 |
| Vacation pay and compensatory leave | 324,293 | 304,762 |
| Judges' Supplementary Retirement Benefits Account (Note 5) | 213,030,976 | 204,406,467 |
| Employee future benefits (Note 6b) | <u>124,326</u> | <u>336,648</u> |
| Total liabilities | (216,722,633) | (208,258,964) |
| Financial assets | | |
| Due from Consolidated Revenue Fund | (1,417,323) | (924,052) |
| Accounts receivable and advances (Note 7) | <u>1,993,710</u> | <u>1,162,079</u> |
| Total financial assets | 576,387 | 238,027 |
| Departmental net debt | (216,146,246) | (208,020,937) |
| Non-financial assets | | |
| Prepaid expenses | 9,758 | 304,914 |
| Tangible capital assets (Note 8) | <u>184,567</u> | <u>177,170</u> |
| Total non-financial assets | 194,325 | 482,084 |
| Departmental net financial position | <u><u>\$ (215,951,921)</u></u> | <u><u>\$ (207,538,853)</u></u> |

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

(original signed by)
 Marc A. Giroux
 Deputy Commissioner

Ottawa, Canada
 September 1, 2016

(original signed by)
 Errolyn Humphreys
 Chief Financial Officer

Ottawa, Canada
 September 1, 2016

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

| | 2016 Planned Results | 2016 | 2015 |
|--|-------------------------------------|-------------------------|-------------------------|
| Expenses | | | |
| Payments Pursuant to the <i>Judges Act</i> | \$ 515,094,000 | \$ 532,863,515 | \$ 505,648,545 |
| Federal Judicial Affairs | 9,265,000 | 8,715,673 | 9,467,882 |
| Canadian Judicial Council | 1,964,000 | 2,840,512 | 3,264,506 |
| Internal Services | 729,000 | 757,662 | 764,703 |
| Total expenses | 527,052,000 | 545,177,362 | 519,145,636 |
| Revenues | | | |
| Pension contribution credited to revenue | 14,300,000 | 14,977,786 | 14,315,718 |
| User charges | 275,000 | 28,361 | 28,000 |
| Total revenues | 14,575,000 | 15,006,147 | 14,343,718 |
| Net cost of operations before government funding | 512,477,000 | 530,171,215 | 504,801,918 |
| Government funding | | | |
| Net cash provided by Government | | 520,611,883 | 493,261,366 |
| Change in due from Consolidated Revenue Fund | | (493,271) | (6,023,744) |
| Services provided without charge by other government departments (Note 9) | | 1,639,535 | 1,651,352 |
| Transfer of the transition payments for implementing salary payments in arrears (Note 10) | | - | (188,815) |
| Net cost of operations after government funding | | 8,413,068 | 16,101,759 |
| Departmental net financial position – Beginning of year | | (207,538,853) | (191,437,094) |
| Departmental net financial position – End of year | | \$ (215,951,921) | \$ (207,538,853) |

Segmented information (Note 11)

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 (Unaudited)
For the Year Ended March 31
(in dollars)

| | 2016 | 2015 Restated (Note 12) |
|--|-------------------------------------|--|
| Net cost of operations after government funding | <u>\$ 8,413,068</u> | <u>\$ 16,101,759</u> |
| Change due to tangible capital assets | | |
| Acquisition of tangible capital assets | 91,792 | 21,382 |
| Amortization of tangible capital assets | <u>(84,395)</u> | <u>(58,395)</u> |
| Total change due to tangible capital assets | 7,397 | (37,013) |
| Change due to prepaid expenses | (295,156) | 19,039 |
| Net increase in departmental net debt | <u>8,125,309</u> | <u>16,083,785</u> |
| Departmental net debt – Beginning of year | <u>208,020,937</u> | <u>191,937,152</u> |
| Departmental net debt – End of year | <u><u>\$ 216,146,246</u></u> | <u><u>\$ 208,020,937</u></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>2016</u> | <u>2015</u> |
|--|------------------------------|------------------------------|
| Operating activities | | |
| Net cost of operations before government funding | \$ 530,171,215 | \$ 504,801,918 |
| Non-cash items: | | |
| Amortization of tangible capital assets | (84,395) | (58,395) |
| Services provided without charge by other government departments (Note 9) | (1,639,535) | (1,651,352) |
| Transition payments for implementing salary payments in arrears (Note 10) | - | 188,815 |
| Variations in Statement of Financial Position: | | |
| Increase in accounts receivable and advances | 831,631 | 392,124 |
| Increase (decrease) in prepaid expenses | (295,156) | 19,039 |
| Increase in accounts payable and accrued liabilities | (31,951) | (766,179) |
| Decrease (increase) in vacation pay and compensatory leave | (19,531) | 29,168 |
| Decrease (increase) in future employee benefits | 212,322 | (67,590) |
| Increase in Judges' Supplementary Retirement Benefits Account | (8,624,509) | (9,647,564) |
| Cash used by operating activities | <u>520,520,091</u> | <u>493,239,984</u> |
| Capital investing activities | | |
| Acquisition of tangible capital assets | 96,944 | 53,296 |
| Disposal and Write-off of tangible capital assets | (5,152) | (31,914) |
| Net cash provided by Government of Canada | <u><u>\$ 520,611,883</u></u> | <u><u>\$ 493,261,366</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, 2016

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.

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

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

FJA's organizational priorities are an improved financial control framework, succession planning and human resource management, information management and modernization of FJA processes and tools.

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 - 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 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 reconciliation between these bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the *2015-16 Report on Plans and Priorities*. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the *2015-16 Report on Plans and Priorities*.
- (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 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.

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (Unaudited)
Year ended March 31, 2016

(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.

(f) Employee and federally appointed judges' future benefits:

(i) Pension benefits: Eligible employees participate in the Public Service Pension Plan (PSSA), a multi-employer pension plan administered by the Government. 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. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(ii) 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.

(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 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 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 receivables are stated at the lower of cost and net recoverable value. A valuation allowance is recorded 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 |
| Informatics Hardware | 3 years |
| Informatics Software | 3 years |
| Other Equipment including Furniture | 10 years |

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (Unaudited)
Year ended March 31, 2016

- (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, 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, 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 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, 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> | 2016 | 2015 |
|---|----------------------|----------------------|
| Net cost of operations before government funding | 530,171,215 | 504,801,918 |
| Adjustment for items affecting net cost of operations but not affecting authorities: | | |
| Services provided without charge by other government departments | (1,639,535) | (1,651,352) |
| Decrease (increase) in employee future benefits | 212,322 | (67,590) |
| Amortization of tangible capital assets | (84,395) | (58,395) |
| Decrease (increase) in vacation pay and compensatory leave | (19,531) | 29,168 |
| Judges' pension contributions | 14,977,786 | 14,315,718 |
| Refund of prior years' expenditures | 6,971 | 5,307 |
| Gain on disposal of Crown assets | 211 | - |
| Total items affecting net cost of operations but not affecting authorities | 13,453,829 | 12,572,856 |
| Adjustments for items not affecting net cost of operations but affecting authorities: | | |
| Acquisition of tangible capital assets | 96,944 | 37,798 |
| Transition payments for implementing salary payments in arrears | - | 188,815 |
| Increase (decrease) in prepaid expenses | (295,156) | 19,039 |
| Total items not affecting net cost of operations but affecting authorities | 198,212 | 245,652 |
| Current year authorities used | \$543,426,832 | \$517,620,426 |

(b) Authorities provided and used

| <i>(in dollars)</i> | 2016 | 2015 |
|---|----------------------|----------------------|
| Authorities provided: | | |
| Vote 20 - Operating expenditures - FJA | 9,393,635 | 9,167,040 |
| Vote 25 - Operating expenditures - CJC | 3,589,292 | 3,212,464 |
| Statutory amounts | 533,420,803 | 506,515,330 |
| Less: | | |
| Authorities available for use in future years | (211) | 269 |
| Lapsed: Operating | (2,976,687) | (1,274,677) |
| Current year authorities used | \$543,426,832 | \$517,620,426 |

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (Unaudited)
Year ended March 31, 2016

4. Accounts payable and accrued liabilities

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

| <i>(in dollars)</i> | 2016 | 2015 |
|--|--------------------|--------------------|
| Accounts payable - Other government departments and agencies | 198,770 | 319,778 |
| Accounts payable - External parties | 3,044,268 | 2,867,133 |
| Total accounts payable | 3,243,038 | 3,186,911 |
| Accrued liabilities | - | 24,176 |
| Total accounts payable and accrued liabilities | \$3,243,038 | \$3,211,087 |

5. Judges' Supplementary Retirement Benefits Account

| <i>(in dollars)</i> | 2016 | 2015 |
|-------------------------------|----------------------|----------------------|
| Liability, beginning of year | 204,406,467 | 194,758,903 |
| Contributions | 7,086,212 | 6,722,932 |
| Interest | 1,538,297 | 2,924,632 |
| Liability, end of year | \$213,030,976 | \$204,406,467 |

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.

6. Employee future benefits

(a) Pension benefits

FJA employees participate in the public service pension plan (the "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 Plan benefits and they are indexed to inflation.

Both the employees and FJA contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Canada's Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2015-2016 expense amounts to \$535,963 (\$564,460 in 2014-2015). For Group 1 members, the expense represents approximately 1.25 times (1.41 times in 2014-2015) the employee contributions and, for Group 2 members, approximately 1.24 times (1.39 times in 2014-2015) the employee contributions.

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (Unaudited)
Year ended March 31, 2016

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:

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.

| <i>(in dollars)</i> | 2016 | 2015 |
|--|-------------------------|-------------------------|
| Accrued benefit obligation, beginning of year | 336,648 | 269,058 |
| Expense for the year | - | - |
| Benefits paid during the year | (212,322) | 67,590 |
| Accrued benefit obligation, end of year | <u>\$124,326</u> | <u>\$336,648</u> |

7. Accounts receivable and advances

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

| <i>(in dollars)</i> | 2016 | 2015 |
|---|---------------------------|---------------------------|
| Receivables - Other government departments and agencies | 495,330 | 544,116 |
| Receivables - External parties | 2,258 | 26,409 |
| Advances | 1,496,122 | 591,554 |
| Total accounts receivable and advances | <u>\$1,993,710</u> | <u>\$1,162,079</u> |

8. Tangible capital assets

| <i>(in dollars)</i> | Cost | | | | Accumulated Amortization | | | | Net Book Value | |
|--|------------------------|---------------------|---------------------------------|------------------------|---------------------------------|---------------------|---------------------------------|------------------------|-----------------------|----------------|
| | Opening Balance | Acquisitions | Disposals and write-offs | Closing Balance | Opening Balance | Amortization | Disposals and write-offs | Closing Balance | 2016 | 2015 |
| Machinery & Equipment | 72,264 | - | (5,152) | 67,112 | 45,203 | 10,542 | (5,152) | 50,593 | 16,519 | 27,061 |
| Informatics Hardware | 349,769 | 96,944 | - | 446,713 | 261,151 | 53,735 | - | 314,886 | 131,827 | 88,618 |
| Informatics Software | 318,335 | - | - | 318,335 | 286,261 | 21,359 | - | 307,620 | 10,715 | 32,074 |
| Other Eqmt. including Furniture | 58,664 | - | - | 58,664 | 29,247 | 3,911 | - | 33,158 | 25,506 | 29,417 |
| TOTAL | 799,032 | 96,944 | (5,152) | 890,824 | 621,862 | 89,547 | (5,152) | 706,257 | 184,567 | 177,170 |

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (Unaudited)
Year ended March 31, 2016

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 employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in FJA's Statement of Operations and Departmental Net Financial Position as follows:

| <i>(in dollars)</i> | 2016 | 2015 |
|--|--------------------|--------------------|
| Accommodation | 1,240,079 | 1,227,414 |
| Employer's contribution to health and dental insurance plans | 399,456 | 423,938 |
| Total | \$1,639,535 | \$1,651,352 |

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 and Departmental Net Financial Position.

(b) Other transactions with related parties

| <i>(in dollars)</i> | 2016 | 2015 |
|---|-------------|-------------|
| Accounts receivable with other government departments and agencies (Note 7) | 495,330 | 544,116 |
| Accounts payable to other government departments and agencies (Note 4) | 198,770 | 319,778 |
| Expenses – Other government departments and agencies | 902,322 | 1,215,025 |
| Revenues – Other government departments and agencies | 28,150 | 28,000 |

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

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (Unaudited)
Year ended March 31, 2016

10. Transfer of Accounts Receivable to Public Works and Government Services Canada

The Government of Canada implemented salary payments in arrears in 2014-15, a one- time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processed. This change to the pay system had no impact on FJA's expenses. However, it did result in the use of additional spending authorities by FJA, along with the creation of an interim account receivable. Prior to year end, this interim account receivable was transferred to Public Works and Government Services Canada, who is responsible for the administration of the Government pay system.

11. 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 2. The following table presents the expenses incurred and revenues generated for the main programs, by major object of expenses and by major type of revenues. The segmented results for the period are as follows:

(in dollars)

| | Internal Services | Federal Judicial Affairs | Canadian Judicial Council | Payments Pursuant to Judges' Act | 2016 Total | 2015 Total |
|---|------------------------------|---|--|---|-----------------------|-----------------------|
| Operating Expenses | | | | | | |
| Salaries and employee benefits | 549,527 | 3,985,606 | 1,338,947 | 498,440,571 | 504,314,651 | 479,084,553 |
| Transportation and telecommunication | 23,173 | 429,910 | 63,389 | 19,381,232 | 19,897,704 | 28,113,975 |
| Information | - | 38,700 | 33,482 | - | 72,182 | 75,579 |
| Professional and special services | 180,962 | 2,578,625 | 1,028,935 | 8,570,743 | 12,359,265 | 4,610,699 |
| Accommodation | - | 981,919 | 258,160 | - | 1,240,079 | 1,227,415 |
| Rental | - | 248,240 | 28,411 | 675 | 277,326 | 182,240 |
| Repairs and maintenance | 1,350 | 142,141 | 18,073 | - | 161,564 | 66,449 |
| Utilities, materials and supplies | 2,650 | 56,461 | 17,142 | - | 76,253 | 56,197 |
| Machinery and equipment | - | 42,320 | 51,170 | - | 93,490 | 119,854 |
| Amortization | - | 84,395 | - | - | 84,395 | 58,395 |
| Other subsidies/payments | - | 127,356 | 2,803 | 6,470,294 | 6,600,453 | 5,550,280 |
| Total Operating Expenses | 757,662 | 8,715,673 | 2,840,512 | 532,863,515 | 545,177,362 | 519,145,636 |
| Revenues | | | | | | |
| Pension contribution* | - | - | - | 14,977,786 | 14,977,786 | 14,315,718 |
| User charges | - | 28,150 | - | - | 28,150 | 28,000 |
| Other Revenue | - | 211 | - | - | 211 | - |
| Total Revenues | - | 28,361 | - | 14,977,786 | 15,006,147 | 14,343,718 |
| Net Cost of Operations Before Government Funding | \$757,662 | \$8,687,312 | \$2,840,512 | \$517,885,729 | \$530,171,215 | \$504,801,918 |

*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, 2016

12. Accounting Changes

In the 2014-15 Statement of Change in Department Net Debt, the amount presented for the Acquisition of tangible capital assets was misstated. The effect of this change was to decrease the amount acquired in tangible capital assets by \$31,914 for 2015 and decrease departmental net debt at the end of the year by \$31,914 for 2015. Comparative information for 2014-15 has been restated.

Statement of Change in Department Net Debt:
(in dollars)

| | 2015 As previously stated | Effect of change | 2015 Restated |
|--|--|-----------------------------|--------------------------|
| Net cost of operations after government funding | \$ 16,101,759 | - | \$ 16,101,759 |
| Change due to tangible capital assets | | | |
| Acquisition of tangible capital assets | 53,296 | (31,914) | 21,382 |
| Amortization of tangible capital assets | (58,395) | - | (58,395) |
| Total change due to tangible capital assets | (5,099) | (31,914) | (37,013) |
| Change due to prepaid expenses | 19,039 | - | 19,039 |
| Net increase in departmental net debt | 16,115,699 | (31,914) | 16,083,785 |
| Departmental net debt – Beginning of year | 191,937,152 | - | 191,937,152 |
| Departmental net debt – End of year | \$ 208,052,851 | (31,914) | \$ 208,020,937 |

Office of the Commissioner for Federal Judicial Affairs Canada
Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting
for Fiscal Year 2015-2016
(unaudited)

1. Introduction

In support of an effective system of internal control, FJA annually assesses the performance of its financial controls to ensure that:

- 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.

Over time, this includes assessment of the design and operating effectiveness of the system of ICFR which will ensure the ongoing monitoring and continuous improvement of its departmental system of ICFR.

Design effectiveness testing (DET) ensures that key control points are identified, documented and in place, and that they are aligned with the risks they aim to mitigate, and that any required remediation is addressed in a timely manner.

Operating effectiveness testing (OET) means that the application of key controls has been tested over a defined period and that any required remediation is addressed in a timely manner.

2. Assessment results during fiscal year 2015-16

As planned in FJA's 2014-2015 annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting, the business processes related to Travel expense claim processing pursuant to the *Judges' Act*, Pay administration, Contracting policy and procurement strategy, Planning and budgeting and Accountable Advances were documented and tested in 2015-2016.

We continued monitoring of implemented processes and took corrective actions as needed.

a) Design effectiveness of key controls

FJA has completed Design Effectiveness Testing (DET) on the following business process in 2015-2016:

- Travel expense claim processing pursuant to the *Judges' Act*
- Pay administration
- Contracting policy and procurement strategy
- Planning and budgeting
- Accountable advances

FJA has identified those controls that are effectively designed and those that required improvement, and have begun implementation of the corrections which will continue into 2016-2017.

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b) Operating effectiveness of key controls

FJA has conducted in-depth Operating Effectiveness Testing (OET) on the following business process in 2015-2016:

- Travel expense claim processing pursuant to the *Judges' Act*
- Pay administration
- Contracting policy and procurement strategy
- Planning and budgeting
- Accountable advances

As with DET, FJA has determined which controls are operating as designed and those that required improvement, and have begun implementation of the corrections which will continue into 2016-2017.

3. Action Plan for future years

For the fiscal year 2016-2017, FJA plans to document and test the design effectiveness and operating effectiveness of the following business process:

- Information technology general controls