

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, 2013, 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 the department'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 the Office of the Commissioner for Federal Judicial Affairs Canada 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.

The Office of the Commissioner for Federal Judicial Affairs Canada 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, the Office of the Commissioner for Federal Judicial Affairs Canada has undertaken a risk-based assessment of the system of ICFR for the year ended March 31, 2013, 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 the Office of the Commissioner for Federal Judicial Affairs Canada have not been audited.

(original signed by)
William A. Brooks
Commissioner

Ottawa, Canada
August 30, 2013

(original signed by)
Nicole Sayed
Chief Financial Officer

Ottawa, Canada
August 30, 2013

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

	<u>2013</u>	<u>2012</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 2,912,800	\$ 1,801,912
Vacation pay and compensatory leave	312,638	308,472
Judges' Supplementary Retirement Benefits Account (Note 5)	185,085,805	176,414,877
Employee future benefits (Note 6b)	456,505	604,911
Total Liabilities	188,767,748	179,130,172
Financial assets		
Due from Consolidated Revenue Fund	4,559,931	3,517,331
Accounts receivable and advances (Note 7)	1,605,333	1,261,416
Total financial assets	6,165,264	4,778,747
Departmental net debt	182,602,484	174,351,425
Non-financial assets		
Prepaid expenses	528,097	236,625
Tangible capital assets (Note 8)	149,559	196,148
Total non-financial assets	677,656	432,773
Departmental net financial position	\$ 181,924,828	\$ 173,918,652

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

(original signed by) _____
William A. Brooks
Commissioner

Ottawa, Canada
August 30, 2013

(original signed by) _____
Nicole Sayed
Chief Financial Officer

Ottawa, Canada
August 30, 2013

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)

	2013 Planned Results	2013	2012
	<hr/>	<hr/>	<hr/>
Expenses			
Payments Pursuant to the <i>Judges' Act</i>	\$ 465,205,819	\$ 473,957,152	\$ 459,992,645
Federal Judicial Affairs	9,037,000	9,691,331	9,651,282
Canadian Judicial Council	1,947,000	1,987,037	2,246,799
Internal Services	874,817	917,130	920,190
Total expenses	477,064,636	486,552,650	472,810,916
Revenues			
Pension contribution credited to revenue	17,200,000	13,876,400	13,627,964
User charges	275,000	165,033	209,409
Total revenues	17,475,000	14,041,433	13,837,373
Net cost of operations before government funding	459,589,636	472,511,217	458,973,543
Government funding			
Net cash provided by Government	448,208,000	461,783,515	448,770,845
Change in due from Consolidated Revenue Fund	16,000	1,042,600	(756,893)
Services provided without charge by other government departments (Note 9a)	1,707,107	1,678,927	1,732,147
Net cost of operations after government funding	9,658,529	8,006,175	9,227,444
Departmental net financial position – Beginning of year	173,998,106	173,918,652	164,691,209
Departmental net financial position – End of year	\$ 183,656,635	\$ 181,924,828	\$ 173,918,652

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

	2013 Planned Results	2013	2012
Net cost of operations after government funding	\$9,658,688	\$8,006,175	\$9,227,444
Change due to tangible capital assets			
Acquisition of tangible capital assets	50,000	61,363	41,846
Amortization of tangible capital assets	(95,828)	(107,951)	(125,599)
Total change due to tangible capital assets	(45,828)	(46,588)	(83,753)
Change due to prepaid expenses	26,000	291,472	(174,233)
Net increase (decrease) in departmental net debt	9,638,701	8,251,059	8,969,458
Departmental net debt – Beginning of year	174,465,449	174,351,425	165,381,967
Departmental net debt – End of year	\$ 184,104,150	\$ 182,602,484	\$ 174,351,425

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>2013</u>	<u>2012</u>
Operating activities		
Net cost of operations before government funding	\$ 472,511,217	\$ 458,973,543
Non-cash items:		
Amortization of tangible capital assets (Note 8)	(107,951)	(125,599)
Services provided without charge by other government departments (Note 9a)	(1,678,927)	(1,732,147)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivables and advances	343,916	69,999
Increase (decrease) in prepaid expenses	291,472	(174,233)
Decrease (increase) in liabilities	(1,110,888)	599,049
Decrease (increase) in vacation pay and compensatory	(4,166)	697
Decrease (increase) in future employee benefits	148,407	566,376
Decrease (increase) in Judges' Supplementary Benefits Accounts	(8,670,928)	(9,448,686)
	<u>461,722,152</u>	<u>448,728,999</u>
Cash used by operating activities		
Capital investing activities		
Acquisition of tangible capital assets (Note 8)	61,363	41,846
	<u>61,363</u>	<u>41,846</u>
Net cash provided by Government of Canada	<u>\$ 461,783,515</u>	<u>\$ 448,770,845</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, 2013

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 authorities 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

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 a reconciliation between these bases of reporting. The planned results amounts in the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Net Debt are the amounts reported in the future-oriented financial statements included in the *2012-13 Reports 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.
- (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, 2013

(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, 2013

- (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>	2013	2012
Net cost of operations before government funding	472,511,217	458,973,544
Adjustment for items affecting net cost of operations but not affecting authorities:		
Services provided without charge by other government departments (Note 9a)	(1,678,927)	(1,732,147)
Decrease (increase) in employee future benefits	148,407	566,376
Amortization of tangible capital assets (Note 8)	(107,951)	(125,599)
Decrease (increase) in vacation pay and compensatory leave	(4,166)	697
Judges' pension contributions	13,876,400	13,627,964
Refund of prior years' expenditures	<u>4,785</u>	<u>4,705</u>
Total items affecting net cost of operations but not affecting authorities	12,238,548	12,341,996
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	61,363	41,846
Increase (decrease) in prepaid expenses	<u>291,472</u>	<u>(174,233)</u>
Total items not affecting net cost of operations but affecting authorities	352,835	(132,387)
Current year authorities used	<u>485,102,600</u>	<u>471,183,153</u>

(b) Authorities provided and used

<i>(in dollars)</i>	2013	2012
Authorities provided:		
Vote 20 - Operating expenditures - FJA	8,942,753	9,346,666
Vote 25 - Operating expenditures - CJC	1,589,923	1,754,600
Statutory amounts	475,115,523	460,747,451
Less:		
Lapsed: Operating	(545,599)	(665,564)
Current year authorities used	<u>485,102,600</u>	<u>471,183,153</u>

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (Unaudited)
Year ended March 31, 2013

4. Accounts payable and accrued liabilities

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

<i>(in dollars)</i>	2013	2012
Accounts payable - Other government departments and agencies	166,888	249,790
Accounts payable - External parties	<u>2,714,412</u>	<u>1,512,572</u>
Total accounts payable	2,881,300	1,762,362
Accrued liabilities	31,500	39,550
Total accounts payable and accrued liabilities	<u>2,912,800</u>	<u>1,801,912</u>

5. Judges' Supplementary Retirement Benefits Account

<i>(in dollars)</i>	2013	2012
Liability, beginning of year	176,414,877	166,966,191
Contributions	6,335,552	6,226,572
Interest	2,335,376	3,222,114
Liability, end of year	<u>185,085,805</u>	<u>176,414,877</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.

6. 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 2012-13 expense amounts to \$641,388 (\$678,924 in 2011-12), which represents approximately 1.7 times (1.8 in 2011-12) 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.

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (Unaudited)
Year ended March 31, 2013

(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>	2013	2012
Accrued benefit obligation, beginning of year	604,911	1,171,287
Expense for the year	-	22,358
Benefits paid during the year	(148,406)	(588,734)
Accrued benefit obligation, end of year	456,505	604,911

7. Accounts receivable and advances

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

<i>(in dollars)</i>	2013	2012
Receivables - Other government departments and agencies	1,057,482	122,837
Receivables - External parties	18,345	21,221
Advances	529,506	1,117,358
Total accounts receivable and advances	1,605,333	1,261,416

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	2013	2012
Machinery & Equipment	70,293	5,602	(7,727)	68,168	56,323	5,825	(7,727)	54,422	13,746	13,970
Informatics Hardware	470,584	26,753	(74,972)	422,365	413,013	41,831	(74,972)	379,872	42,493	57,571
Informatics Software	274,743	29,008	(20,486)	283,265	179,222	57,312	(20,486)	216,048	67,217	95,521
*Other Eqmt. including Furniture	49,384	-	-	49,384	20,298	2,983	-	23,281	26,103	29,086
TOTAL	865,004	61,363	(103,185)	823,182	668,856	107,951	(103,185)	673,623	149,559	196,148

*The asset class "Furniture" has been modified to "Other Equipment including Furniture" to conform to the description in Public Accounts and the Government of Canada Chart of Accounts.

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.

Office of the Commissioner for Federal Judicial Affairs Canada
Notes to the Financial Statements (Unaudited)
Year ended March 31, 2013

(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>	2013	2012
Accommodation	1,228,486	1,196,855
Employer's contribution to health and dental insurance plans	450,441	535,292
Total	<u>1,678,927</u>	<u>1,732,147</u>

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>	2013	2012
Accounts receivable with other government departments and agencies (Note 7)	1,057,482	122,837
Accounts payable to other government departments and agencies (Note 4)	166,888	249,790
Expenses – Other Government departments and agencies	1,082,126	1,215,577
Revenues – Other Government departments and agencies	160,248	209,409

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, 2013

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 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	2013 Total	2012 Total
Operating Expenses						
Salaries and employee benefits	644,130	4,823,751	1,375,752	438,350,284	445,193,917	432,128,710
Transportation and telecommunication	49,876	528,697	94,816	28,348,176	29,021,565	29,512,677
Information	133	44,255	12,889	11,308	68,585	174,340
Professional and special services	191,160	2,828,158	128,944	1,764,287	4,912,549	3,836,820
Accommodation (Note 9a)	-	966,895	261,592	-	1,228,487	1,196,855
Rental	-	135,397	7,263	42,929	185,589	115,094
Repairs and maintenance	17,630	53,719	5,552	-	76,901	117,549
Utilities, materials and supplies	14,201	53,547	15,366	35,981	119,095	83,579
Machinery and equipment	-	203,878	82,203	-	286,081	144,987
Amortization (Note 7)	-	107,951	-	-	107,951	125,599
Other subsidies/payments	-	(54,917)	2,660	5,404,187	5,351,930	5,374,706
Total operating expenses	917,130	9,691,331	1,987,037	473,957,152	486,552,650	472,810,916
Total Expenses	917,130	9,691,331	1,987,037	473,957,152	486,552,650	472,810,916
Revenues						
Pension contribution*	-	-	-	13,876,400	13,876,400	13,627,964
User charges	-	165,033	-	-	165,033	209,409
Total Revenues	-	165,033	-	13,876,400	14,041,433	13,837,373
Net Cost of Operations	917,130	9,526,298	1,987,037	460,080,752	472,511,217	458,973,543

*Judges' pension contribution credited to revenue

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 2012-2013
(unaudited)

1. Introduction

In support of an effective system of internal control, the Office of the Commissioner for Federal Judicial Affairs Canada (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 2012-2013

a) Design effectiveness of key controls

FJA has conducted in-depth design effectiveness testing on the following: Entity Level Controls (ELCs), Salary Administration in pursuant to the *Judges' Act*, and Pension Administration in pursuant to the *Judges' Act*. FJA identified those controls that were effectively designed and those that required improvement, and have begun implementation of the corrections which will continue into 2013-14.

b) Operating effectiveness of key controls

FJA has conducted in-depth operating effectiveness testing on the following: Entity Level Controls (ELCs), Salary Administration in pursuant to the *Judges' Act*, and Pension Administration in pursuant to the *Judges' Act*. As with the DET, FJA identified those controls that were effectively designed and those that required improvement, and have begun implementation of the corrections which will continue into 2013-14.

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 2012-2013
(unaudited)

3. Action Plan for future years

Efforts in fiscal year 2012-13 focused on areas where the materiality threshold is significant. In the next fiscal year 2013-14, FJA plans to review the design and operating effectiveness of the following:

- Judges' Supplementary Retirement Benefit Account (SRBA)
- Expense claims processing pursuant to the *Judges' Act*
- Government Acquisition Cards
- Managing the delegation of Financial Signing Authorities

For the fiscal year 2014-15, FJA plans to review the design and operating effectiveness of the following:

- Procure to Payment
- Revenues to Receivables
- Information Technology General Controls
- Planning and Budgeting

For the fiscal year 2015-16, FJA plans to review the design and operating effectiveness of the following:

- Salary Administration of FJA employees
- Accommodations
- Capital Acquisitions
- Interdepartmental Settlements