

COURTS ADMINISTRATION SERVICE

Future-oriented Statement of Operations (Unaudited)

For the year ended March 31	Estimated Results 2014	Planned Results 2015
(in thousands of dollars)		
Expenses		
Judicial services	42,109	42,502
Registry services	32,268	33,276
Internal services	24,605	21,917
Total Expenses	98,982	97,695
Revenues		
Employment Insurance Operating Account cost recoveries (Note 4(b))	2,042	2,042
Filing fees	1,867	1,804
Fines	83	908
Miscellaneous	96	96
Revenues earned on behalf of Government	(4,085)	(4,847)
Total Revenues	3	3
Net cost of operations	98,979	97,692

Segmented information (Note 8)

Information for the year ending March 31, 2014 includes actual amounts from April 1, 2013 to November 30, 2013.

The accompanying notes form an integral part of the Future-oriented Statement of Operations.

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Ottawa, Canada
February 28, 2014

COURTS ADMINISTRATION SERVICE

Notes to the Future-oriented Statement of Operations (*Unaudited*)

For the year ended March 31

1. Authority and objectives

The Courts Administration Service, which was established on July 2, 2003 by the *Courts Administration Service Act*, S.C. 2002, c.8, is responsible for providing administrative services to the Federal Court of Appeal, the Federal Court, the Court Martial Appeal Court of Canada and the Tax Court of Canada ("the Courts").

These services permit individuals, companies, organizations and the Government of Canada to submit disputes and other matters to the Courts, and enable the Courts to hear and resolve the cases before them fairly, without delay and as efficiently as possible.

The Courts Administration Service has three programs: to provide Judicial Services, to provide Registry Services and to provide Internal Services.

The Judicial Services program provides legal services and judicial administrative support to assist members of the Federal Court of Appeal, the Federal Court, the Court Martial Appeal Court of Canada and the Tax Court of Canada in the discharge of their judicial functions. These services are provided by legal counsel, judicial administrators, law clerks, jurilinguists, judicial assistants, library personnel and court attendants, under the direction of the four Chief Justices.

Registry Services are delivered under the jurisdiction of the Federal Court of Appeal, the Federal Court, the Court Martial Appeal Court of Canada and the Tax Court of Canada. The registries process legal documents; provide information to litigants on court procedures; maintain court records, participate in court hearings, support and assist in the enforcement of court orders, and work closely with the Office of the four Chief Justices to ensure that matters are heard, and decisions are rendered in a timely manner. Registry Services are offered in every province and territory through a network of permanent offices, and agreements with provincial and territorial partners.

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

2. Methodology and significant assumptions

The Future-oriented Statement of Operations has been prepared on the basis of government priorities and the plans of the Courts Administration Service, as described in the Report on Plans and Priorities.

The estimated results for fiscal year 2013-14 are based on actual results up to November 30, 2013 and a forecast for the remainder of the fiscal year. The planned results for fiscal year 2014-15 are based on a forecast for the entire fiscal year.

The main assumptions underlying the forecasts are as follows:

- (a) The Courts Administration Service's activities will remain substantially the same as the previous year.
- (b) The forecasts for expenses and revenues (excluding fine revenue), including the determination of amounts internal and external to the government, are based on historical experience and professional judgement. The general historical pattern is expected to continue.
- (c) Fine revenue for fiscal year 2013-14 is forecast based on payments received and court documents issued to date. Fine revenue for fiscal year 2014-15 is forecast based on a prior year trend analysis (three-year average). Given their nature, actual amounts collected from fines could vary considerably from these forecasted amounts.

COURTS ADMINISTRATION SERVICE

Notes to the Future-oriented Statement of Operations (*Unaudited*)

For the year ended March 31

2. Methodology and significant assumptions (continued)

(d) The planned results for fiscal year 2014-15 reflect the amounts expected to be allocated to the Courts Administration Service in the 2014-15 Main Estimates. In the preparation of the future-oriented statement of operations in previous years, an estimate for payroll shortfall and related employee benefits was also included. Payroll shortfall includes maternity and parental leave benefits, vacation credits payable upon termination of employment with the public service, and severance pay. Given the fluctuations in these amounts from year to year, they will now be excluded from the planned results for fiscal year 2014-15.

(e) Bill C-11 amends the *Federal Courts Act* to increase the number of Federal Court judges. Estimated use of Bill C-11 funding in 2013-14 is projected to be \$504 thousand, funding for the one judicial appointment that is anticipated during the fiscal year. Available Bill C-11 funding in 2014-15 is forecasted to be utilised in full. Actual use of Bill C-11 funding for 2013-14 and 2014-15 will be entirely dependant on the timing of judicial appointments.

These assumptions are adopted as at January 13, 2014.

3. Variations and changes to the forecast financial information

While every attempt has been made to forecast final results for the remainder of 2013-14 and for 2014-15, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing the future-oriented statement of operations, the Courts Administration Service has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience, as well as other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented statement of operations and the actual statement of operations include:

- (a) The timing and amounts of acquisitions and disposals of tangible capital assets may affect gains/losses and amortization expense.
- (b) Further changes to the operating budget through additional new initiatives or technical adjustments, including payroll shortfalls, later in the year.
- (c) Implementation of new collective agreements.
- (d) The timing and amounts of fine revenue.

Once the Report on Plans and Priorities is presented, the Courts Administration Service will not be updating the forecasts for any changes to authorities or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

4. Summary of significant accounting policies

The future-oriented statement of operations has 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*

The Courts Administration Service is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Courts Administration Service do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Future-oriented Statement of Operations are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between the bases of reporting.

COURTS ADMINISTRATION SERVICE

Notes to the Future-oriented Statement of Operations (*Unaudited*)

For the year ended March 31

4. Summary of significant accounting policies (continued)

(b) Revenues

- ✓ Revenues consist primarily of filing fees, fines and sales of copies of filed documentation, including copies of judgments and orders. All such revenue is non-respendable, meaning it cannot be spent by the Courts Administration Service and is deposited to the CRF.
- ✓ All revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.
- ✓ Employment Insurance Operating Account cost recoveries: At the end of each fiscal year, the Courts Administration Service determines the cost associated with the administration of Employment Insurance (EI) cases. The total cost allocated by the Courts Administration Service for handling EI cases is expended against Human Resources and Skills Development Canada (HRSDC), the department responsible for the Employment Insurance Operating Account. As such, HRSDC would show an expense and the Courts Administration Service would show an equivalent, non-respendable revenue item. The purpose of this accounting exercise is to reflect more accurately the total cost of running the EI program and it is strictly internal to the Government.
- ✓ Revenues that are non-respendable are not available to discharge the Courts Administration Service's liabilities. While the Deputy Head is expected to maintain accounting control, he has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government and are therefore presented as a reduction of the entity's gross revenues.

(c) Expenses

Expenses are recorded on the accrual basis.

- ✓ Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- ✓ Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans and workers' compensation are recorded as operating expenses at their estimated cost.

(d) Employee future benefits

- ✓ Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. The Courts Administration Service's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The Courts Administration Service'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, as the Plan's sponsor.
- ✓ 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.

COURTS ADMINISTRATION SERVICE

Notes to the Future-oriented Statement of Operations (Unaudited)

For the year ended March 31

5. Parliamentary authorities

The Courts Administration Service receives its funding through annual Parliamentary authorities. Items recognized in the Future-oriented Statement of Operations in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the Courts Administration Service 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 tables below.

Estimated authorities requested for the year ending March 31, 2014 include amounts presented in the 2013-14 Main and Supplementary Estimates and approved and estimated transfers from Treasury Board central votes. Planned authorities requested for the year ending March 31, 2015 are the planned spending amounts presented in the 2014-15 Report on Plans and Priorities.

<i>(a) Reconciliation of net cost of operations to current year authorities used</i>	Estimated Results	Planned Results
(in thousands of dollars)	2014	2015
Net cost of operations	98,979	97,692
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Services received without charge from other government departments	(29,181)	(28,477)
Amortization of tangible capital assets	(1,131)	(1,297)
Decrease (increase) in vacation pay and compensatory leave	(55)	(55)
Decrease (increase) in employee future benefits	612	(116)
Gain (loss) on disposal and write-down of tangible capital assets	(21)	-
Refund of previous year expenditures	10	-
Increase in accrued liabilities not charged to authorities	(40)	-
Total items affecting net cost of operations but not affecting authorities	(29,806)	(29,945)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Acquisition of tangible capital assets	876	294
Variation in advances	2	-
Other	5	4
Total items not affecting net cost of operations but affecting authorities	883	298
Current year authorities used	70,056	68,045

<i>(b) Authorities provided and used</i>	Estimated Results	Planned Results
(in thousands of dollars)	2014	2015
Authorities provided:		
Vote 30 - Program expenditures	65,407	61,261
Statutory amounts	7,169	6,784
Less:		
Lapsed authorities	(2,520)	-
Current year authorities used	70,056	68,045

COURTS ADMINISTRATION SERVICE

Notes to the Future-oriented Statement of Operations (*Unaudited*)

For the year ended March 31

6. Employee future benefits

(a) Pension benefits

The Courts Administration Service'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 the Courts Administration Service contribute to the cost of the Plan. The 2013-14 estimated expense amounts to \$5,038,017 (\$4,770,040 in 2014-15), which represents approximately 1.7 times (1.7 times in 2014-15) the contributions by employees.

The Courts Administration Service'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, as the Plan's sponsor.

(b) Severance benefits

The Courts Administration Service 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, forecasted as at March 31, is as follows:

	Estimated Results	Planned Results
(in thousands of dollars)	2014	2015
Accrued benefit obligation - Beginning of year	3,132	2,520
Expense for the year	327	229
Benefits paid during the year	(939)	(113)
Accrued benefit obligation - End of year	2,520	2,636

As part of collective agreement negotiations with most 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. 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.

COURTS ADMINISTRATION SERVICE

Notes to the Future-oriented Statement of Operations (Unaudited)

For the year ended March 31

7. Related party transactions

The Courts Administration Service is related as a result of common ownership to all government departments, agencies, and Crown corporations. The Courts Administration Service enters into transactions with these entities in the normal course of business and on normal trade terms.

a) Common services provided without charge by other government departments

During the year, the Courts Administration Service is forecast to receive services without charge from certain common service organizations, related to accommodation, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services received without charge have been recorded in the Courts Administration Service's Future-oriented Statement of Operations as follows:

	Estimated Results	Planned Results
(in thousands of dollars)	2014	2015
Accommodation ⁽¹⁾	25,582	24,798
Employer's contribution to the health and dental insurance plans	3,563	3,655
Workers' compensation	36	24
	29,181	28,477

⁽¹⁾ Accommodation costs include the space of the court rooms, the offices of the Members of the Court, the discovery rooms, etc.

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 the payroll and cheque issuance services provided by Public Works and Government Services Canada are not included in the Courts Administration Service's Future-oriented Statement of Operations.

(b) Other transactions with related parties

	Estimated Results	Planned Results
(in thousands of dollars)	2014	2015
Revenues - Other government departments and agencies	2,212	2,111
Expenses - Other government departments and agencies	9,521	10,763

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

COURTS ADMINISTRATION SERVICE

Notes to the Future-oriented Statement of Operations (Unaudited)

For the year ended March 31

8. Segmented information

Presentation by segment is based on the Courts Administration Service's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 4. The following table presents the expenses incurred and revenues generated for the main programs, by major object of expense and by major type of revenue. The segment results for the period are as follows:

(in thousands of dollars)	Estimated Results 2014	Judicial Services	Registry Services	Internal Services	Planned Results 2015
Expenses					
Salaries and employee benefits	54,736	16,999	23,617	14,057	54,673
Accommodations (Note 7)	25,582	18,846	4,712	1,240	24,798
Professional and special services	8,853	3,838	3,752	1,835	9,425
Transportation and telecommunications	2,474	560	356	1,471	2,387
Materials and supplies	1,857	1,778	198	181	2,157
Machinery and equipment	1,746	56	139	727	922
Rentals	1,616	105	172	958	1,235
Amortization of tangible capital assets	1,131	77	200	1,020	1,297
Repairs and maintenance	548	25	26	403	454
Information	330	198	91	42	331
Miscellaneous	109	20	13	(17)	16
Total expenses	98,982	42,502	33,276	21,917	97,695
Revenues					
Employment Insurance Operating Account cost recoveries (Note 4(b))	2,042	911	613	518	2,042
Filing fees	1,867	-	1,804	-	1,804
Fines	83	-	908	-	908
Miscellaneous	96	-	93	3	96
Revenues earned on behalf of Government	(4,085)	(911)	(3,418)	(518)	(4,847)
Total revenues	3	-	-	3	3
Net cost of operations	98,979	42,502	33,276	21,914	97,692