

COURTS ADMINISTRATION SERVICE

Future-Oriented Statement of Operations (Unaudited)

| For the year ending March 31 | Forecast Results | Planned Results |
|---|---------------------|--------------------|
| (in thousands of dollars) | 2019-20 | 2020-21 |
| Expenses | | |
| Administration Services for the Federal Courts | 86,764 | 89,086 |
| Internal services | 38,129 | 34,421 |
| Total Expenses | 124,893 | 123,507 |
| Revenues | | |
| Recovery of administration costs - Employment Insurance (Note 3(c)) | 1,007 | 1,007 |
| Filing fees | 1,532 | 1,538 |
| Fines | 71 | 93 |
| Miscellaneous | 83 | 83 |
| Revenues earned on behalf of Government | (2,690) | (2,718) |
| Total Revenues | 3 | 3 |
| Net cost of operations before government funding and transfers | 124,890 | 123,504 |

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

Original signed by

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February 3, 2020

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COURTS ADMINISTRATION SERVICE

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

For the year ending March 31

1. Methodology and Significant Assumptions

The Future-Oriented Statement of Operations has been prepared on the basis of the Courts' priorities and the plans of the Courts Administration Service, as described in the Departmental Plan.

The information in the forecast results for fiscal year 2019-20 is based on actual results up to November 30, 2019 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for fiscal year 2020-21.

The main assumptions underlying the forecasts are as follows:

- (a) In 2018-19, the Departmental Results Framework brought changes in relation to the Courts Administration Service's programs and now include e-courts and security, in addition to the judicial and registry programs. This change impacted the Administration Services for the Federal Courts and Internal Services, due to the re-alignment of Security and e-courts resources.
- (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 2019-20 is forecasted based on payments received. Fine revenue for fiscal year 2020-21 is forecasted based on a prior years trend analysis (three-year average). Given their nature, actual amounts collected from fines could vary considerably from these forecasted amounts.
- (d) The planned results for fiscal year 2020-21 reflect the amounts expected to be allocated to the Courts Administration Service in the 2020-21 Main Estimates.
- (e) Amendments to the Citizen Act to enhance procedural fairness included a new decision-making model for citizen revocation on the basis of false representation, fraud or by knowingly concealing material circumstances. This has required an increase of one Federal Court Judge to support the model. The release of funds to support the judicial appointment is contingent on the appointment of the judge. For the purpose of Future-Oriented Statement of Operations, the position was filled in 2019-20 and as a result, the available funding is forecasted to be utilized in full in 2019-20.

These assumptions are adopted as at November 30, 2019.

2. Variations and Changes to the Forecast Financial Information

Although every attempt has been made to forecast final results for the remainder of 2019-20 and for 2020-21, actual results achieved for both years are likely to differ 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. 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. These estimates and assumptions may differ from the subsequent actual results

Factors that could lead to material differences between the Future-Oriented Statement of Operations and the historical 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) The implementation of new collective agreements;
- (c) Changes to the operating budget through additional new initiatives or technical adjustments, including payroll shortfalls, later in the year; and
- (d) The timing and amounts of fine revenue.

After the Departmental Plan is tabled in Parliament, 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 Results Report.

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3. Summary of Significant Accounting Policies

The Future-Oriented Statement of Operations has been prepared using the Government of Canada's accounting policies in effect for fiscal year 2019-20, and is 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 4 provides a reconciliation between the bases of reporting.

(b) Expenses

Expenses are recorded on the accrual basis.

- ✓ Expenses are generally recorded when goods are received or services are rendered and include expenses related to personnel, professional and special services, repair and maintenance, utilities, materials and supplies, as well as amortization of tangible capital assets. Provisions to reflect changes in the value of assets or liabilities and advances, as well as utilization of prepaid expenses, and other are also included in other expenses.
- ✓ 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, legal services, and workers' compensation are recorded as operating expenses at their estimated cost.

(c) 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 Consolidated Revenue Fund.
- ✓ All revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue is taking place.
- ✓ 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 of Canada and are therefore presented as a reduction of the entity's gross revenues.
- ✓ Recovery of administration costs - Employment Insurance: 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 Employment and Social Development Canada, the department responsible for the Employment Insurance Operating Account. As such, Employment and Social Development Canada 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 does not involve any transfer of authorities or funds.

(d) Employee future benefits

- ✓ Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer 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 earned these benefits as services necessary to earn them were 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.

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For the year ending March 31

4. 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 differs from financial reporting according to generally accepted accounting principles because authorities are based mainly on cash flow requirements. 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 cost 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, 2020 include amounts presented in the 2019-20 Main and Supplementary Estimates and approved and estimated transfers from Treasury Board central votes. Planned authorities requested for the year ending March 31, 2021 are the planned spending amounts presented in the 2020-21 Departmental Plan.

| (a) Reconciliation of net cost of operations to requested authorities | Forecast Results | Planned Results |
|--|-----------------------------|----------------------------|
| (in thousands of dollars) | 2019-20 | 2020-21 |
| Net cost of operations before government funding and transfers | 124,890 | 123,504 |
| Adjustments for items affecting net cost of operations but not affecting authorities: | | |
| Services provided without charge by other government departments | (31,229) | (31,833) |
| Amortization of tangible capital assets | (3,877) | (4,494) |
| Decrease (increase) in vacation pay and compensatory leave | (304) | (304) |
| Decrease (increase) in employee future benefits | (329) | (36) |
| Gain (loss) on disposal and write-down of tangible capital assets | 3 | 3 |
| Refund of previous years' expenditures | 12 | - |
| Total items affecting net cost of operations but not affecting authorities | (35,724) | (36,664) |
| Adjustments for items not affecting net cost of operations but affecting authorities: | | |
| Acquisition of tangible capital assets | 5,469 | 6,056 |
| Salary overpayments | 57 | 57 |
| Variation in advances | 5 | 5 |
| Increase (decrease) in prepaid expenses | (189) | (90) |
| Total items not affecting net cost of operations but affecting authorities | 5,342 | 6,028 |
| Requested authorities | 94,508 | 92,868 |
| (b) Authorities requested | Forecast Results | Planned Results |
| (in thousands of dollars) | 2019-20 | 2020-21 |
| Authorities requested: | | |
| Vote 1 - Program expenditures | 87,121 | 85,028 |
| Statutory amounts | 7,970 | 7,840 |
| Total authorities requested | 95,091 | 92,868 |
| Less: Estimated unused authorities and other adjustments | (583) | - |
| Requested authorities forecasted to be used | 94,508 | 92,868 |