



Environment and
Climate Change Canada

Environnement et
Changement climatique Canada



**DEPARTMENTAL
FINANCIAL STATEMENTS
(unaudited)
2016-2017**

Statement of Management Responsibility Including Internal Control over Financial Reporting 2016-2017

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2017, and all information contained in these statements rests with the management of Environment and Climate Change Canada. 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 Environment and Climate Change Canada's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in Environment and Climate Change Canada's *Departmental Results 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 legislations, 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 Environment and Climate Change 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 ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2017 was completed in accordance with the Treasury Board *Policy on Internal Control* and the results and action plans are summarized in the annex.

The effectiveness and adequacy of Environment and Climate Change Canada's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Environment and Climate Change Canada's operations, and by the External Audit Advisory Committee, which reviews and provides guidance to the Deputy Minister for maintaining adequate control systems and financial reporting, and which recommends the financial statements to the Deputy Minister of Environment and Climate Change Canada.

The financial statements of Environment and Climate Change Canada have not been audited.



Stephen Lucas
Deputy Minister

Gatineau, Canada

Date: August 29, 2017



Carol Najm
Chief Financial Officer

Gatineau, Canada

Date: August 25th 2017

Statement of Financial Position (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

As at March 31

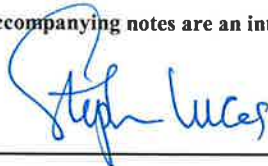
(in thousands of dollars)

	2017	2016
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$141,235	\$140,301
Vacation pay and compensatory leave	21,903	29,904
Deferred revenue (Note 6)	6,831	7,116
Lease obligation for tangible capital assets (Note 7)	9,738	10,450
Employee future benefits (Note 8)	26,260	36,426
Environmental liabilities (Note 5)	195,603	141,418
Other liabilities	563	892
Total liabilities	402,133	366,507
Financial assets		
Due from Consolidated Revenue Fund	134,894	131,482
Accounts receivable and advances (Note 9)	26,934	21,526
Total gross financial assets	161,828	153,008
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 9)	(3,333)	(4,551)
Total net financial assets	158,495	148,457
DEPARTMENTAL NET DEBT	243,638	218,050
Non-financial assets		
Prepaid expenses	990	1,077
Inventory (Note 10)	28,863	15,350
Tangible capital assets (Note 11)	382,930	375,681
Total non-financial assets	412,783	392,108
DEPARTMENTAL NET FINANCIAL POSITION	\$169,145	\$174,058

Contractual obligations (Note 12)

Contingent liabilities (Note 13)

The accompanying notes are an integral part of these financial statements



Stephen Lucas
Deputy Minister

Gatineau, Canada
Date:

August 29, 2017



Carol Najm
Chief Financial Officer

Gatineau, Canada
Date: 25/08/17

Statement of Operations and Departmental Net Financial Position (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

For the year ended March 31

(in thousands of dollars)

	Planned results (Note 2a)		
	2017	2017	2016
Expenses			
Conservation of Canada's Natural Environment	\$386,283	\$398,053	\$389,821
Weather Information	237,411	238,284	240,565
Threats from Pollution Minimized	230,823	357,948	289,281
Internal Services	211,796	195,221	212,724
Total expenses	1,066,313	1,189,506	1,132,391
Revenues			
Sales of goods and services	86,299	77,968	78,846
Other revenues	20,176	18,413	16,690
Revenues earned on behalf of Government	(17,879)	(10,977)	(10,729)
Total revenues	88,596	85,404	84,807
Net cost of operations before government funding and transfers	977,717	1,104,102	1,047,584
Government funding and transfers			
Net cash provided by Government		994,830	944,947
Change in due from Consolidated Revenue Fund		3,412	(2,113)
Services provided without charge by other government departments (Note 14)		101,145	108,113
Transfer of the transition payments for implementing salary payments in arrears		-	(156)
Transfer of assets and liabilities from (to) other government departments (Note 15)		(198)	(168)
Net cost of operations after government funding and transfers		4,913	(3,039)
Departmental net financial position - Beginning of year		174,058	171,019
Departmental net financial position - End of year		\$169,145	\$174,058

Segmented information (Note 16)

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

Statement of Change in Departmental Net Debt (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

For the year ended March 31

(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Net cost of operations after government funding and transfers	\$4,913	(\$3,039)
Change due to tangible capital assets		
Acquisition of tangible capital assets (Note 11)	59,930	58,290
Amortization of tangible capital assets (Note 11)	(44,891)	(43,252)
Proceeds from disposal of tangible capital assets	(1,069)	(800)
Net loss on disposals, write-off and adjustments to tangible capital assets	(6,523)	(252)
Transfer to/from other government departments (Note 15)	(198)	(168)
Total change due to tangible capital assets	7,249	13,818
Change due to inventories (Note 10)	13,513	6,093
Change due to prepaid expenses	(87)	(87)
Net increase in departmental net debt	25,588	16,785
Departmental net debt - Beginning of year	218,050	201,265
Departmental net debt - End of year	\$243,638	\$218,050

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

Statement of Cash Flows (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

For the year ended March 31

(in thousands of dollars)

	2017	2016
OPERATING ACTIVITIES		
Net cost of operations before government funding and transfers	\$1,104,102	\$1,047,584
Non-cash items:		
Services provided without charge by other government departments (Note 14)	(101,145)	(108,113)
Amortization of tangible capital assets (Note 11)	(44,891)	(43,252)
Net loss on disposals, write-off and adjustments to tangible capital assets	(6,523)	(252)
Transition payments for implementing salary payments in arrears	-	156
Variations in Statement of Financial Position:		
Decrease (increase) in accounts payable and accrued liabilities (Note 4)	(934)	(70)
Decrease (increase) in vacation pay and compensatory leave	8,001	-
Decrease (increase) in deferred revenue (Note 6)	285	829
Decrease (increase) in employee future benefits (Note 8)	10,166	(315)
Decrease (increase) in environmental liabilities (Note 5)	(54,185)	(18,809)
Decrease (increase) in other liabilities	329	(443)
Increase (decrease) in accounts receivable and advances (Note 9)	6,626	3,463
Increase (decrease) in prepaid expenses	(87)	(87)
Increase (decrease) in inventory (Note 10)	13,513	6,093
Cash used in operating activities	935,257	886,784
CAPITAL INVESTING ACTIVITIES		
Acquisition of tangible capital assets (Note 11)	59,930	58,290
Proceeds from disposal of tangible capital assets	(1,069)	(800)
Cash used in capital investing activities	58,861	57,490
FINANCING ACTIVITIES		
Lease payments for tangible capital assets	712	673
Cash used in financing activities	712	673
NET CASH PROVIDED BY GOVERNMENT OF CANADA	\$994,830	\$944,947

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

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

1. Authority and objectives

Environment and Climate Change Canada was established under *Department of the Environment Act*. Under this Act, the powers, duties and functions of the Minister of the Environment and Climate Change Canada extend to and include matters relating to:

- ✓ The preservation and enhancement of the quality of the natural environment (including water, air and soil quality);
- ✓ Renewable resources, including migratory birds and other non-domestic flora and fauna;
- ✓ Water;
- ✓ Meteorology;
- ✓ Enforcement of any rules or regulations made by the International Joint Commission relating to boundary waters; and
- ✓ Coordination of the policies and programs of the Government of Canada respecting the preservation and enhancement of the quality of the natural environment.

Environment and Climate Change Canada delivers its mandate by promoting the three (3) following Strategic Outcomes:

- ✓ **Conservation of Canada's Natural Environment**
Canada's natural environment is conserved and restored for present and future generations.
- ✓ **Weather Information**
Canadians are equipped to make informed decisions on changing weather, water and climate conditions.
- ✓ **Threats from Pollution Minimized**
Threats to Canadians and their environment from pollution are minimized.

The Internal Services Program includes groups of related activities and resources that are administered to support the Department's Strategic Outcomes and Programs. It is the basis for a common government-wide approach to planning, designing, budgeting, reporting and communicating all Government of Canada internal services.

In addition, Environment and Climate Change Canada has authority under numerous pieces of legislation which affect how Environment and Climate Change Canada operates. The most significant Acts are as follows:

- ✓ *Antarctic Environmental Protection Act*
- ✓ *Canada Emission Reduction Incentives Agency Act*
- ✓ *Canada Water Act*
- ✓ *Canada Wildlife Act*
- ✓ *Canadian Environment Week Act*
- ✓ *Canadian Environmental Assessment Act, 2012*
- ✓ *Canadian Environmental Protection Act, 1999*
- ✓ *Department of the Environment Act*
- ✓ *Environmental Enforcement Act*
- ✓ *Environmental Violations Administrative Monetary Penalties Act*
- ✓ *Federal Sustainable Development Act*
- ✓ *Fisheries Act (Sections 36-42)*
- ✓ *International River Improvements Act*
- ✓ *Lac Seul Conservation Act, 1928*
- ✓ *Lake of the Woods Control Board Act, 1921*
- ✓ *Manganese-Based Fuel Additives Act*
- ✓ *Migratory Birds Convention Act, 1994*
- ✓ *National Wildlife Week Act*

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

1. Authority and objectives (continued)

- ✓ *Perfluorooctane Sulfonate Virtual Elimination Act*
- ✓ *Species at Risk Act*
- ✓ *Weather Modification Information Act*
- ✓ *Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act*

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

Environment and Climate Change Canada is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to Environment and Climate Change Canada 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 the 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 2016-17 Departmental Plan. 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 2016-17 Departmental Plan.

(b) Net Cash Provided by Government

Environment and Climate Change Canada operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by Environment and Climate Change Canada is deposited to the CRF, and all cash disbursements made by Environment and Climate Change Canada are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

(c) Amount Due from the Consolidated Revenue Fund (CRF)

Amounts due from or 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 Environment and Climate Change Canada is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues

- ✓ Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- ✓ Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the related expenses are incurred.
- ✓ Funds that have been received are recorded as deferred revenue, provided Environment and Climate Change Canada has an obligation to other parties for the provision of goods, services or the use of assets in the future.
- ✓ Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.
- ✓ Revenues that are non-responsible are not available to discharge Environment and Climate Change Canada's liabilities. While the Deputy Head is expected to maintain accounting control, he has no authority regarding the disposition of non-responsible revenues. As a result, non-responsible revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

2. Summary of significant accounting policies (continued)

(e) Expenses

Expenses are recorded on an accrual basis:

- ✓ Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.
- ✓ 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's contribution to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

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

(g) Accounts receivable

Accounts receivable are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for accounts and loans receivable where recovery is considered uncertain.

(h) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(i) Environmental liabilities

Environmental liabilities consist of estimated costs related to the remediation of contaminated sites.

Contaminated Sites:

A liability for remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the department is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the Department's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination. When the cash flows required to settle or otherwise extinguish a liability are expected to occur over extended future periods, a present value technique is used. The discount rate applied is taken from the government's consolidated revenue fund monthly lending rates for periods of one year and over which is based on the Government's cost of borrowing. The discount rates used are based on the term rate associated with the estimated number of years to complete remediation. For remediation costs with estimated future cash flows spanning more than 25 years, the Government of Canada's 25 year Consolidated Revenue Fund lending rate is used as the discount rate.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

2. Summary of significant accounting policies (continued)

The recorded environmental liabilities are adjusted each year, as required, for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of the Department's responsibility is not determinable, a contingent liability is disclosed in the notes to the financial statements. If measurement uncertainty exists, it is also disclosed in the notes to the financial statements.

(j) Inventory

Inventory held for future program delivery consists of meteorological supplies, electric lighting, compressed gases and acetylene, chemicals and related products, scientific and technical equipment and test vehicles. It is valued using the moving average price.

Inventory held for resale consists of printed material, books, maps and forms, stationery and office paper supplies which will be sold in the future. It is valued using the moving average price.

(k) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Environment and Climate Change Canada 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 calculated on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization Period
Buildings	25 to 40 years
Works and Infrastructure	20 to 40 years
Machinery and Equipment	2 to 30 years
Vehicles	3 to 25 years
Leasehold Improvements	Lesser of the remaining term of lease or useful life of the improvement
Leased tangible capital assets	Over term of lease/useful life

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

(l) Measurement 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 believed the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, environmental liabilities, liabilities 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, they are recorded in the financial statements in the year they become known.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

3. Parliamentary authorities

Environment and Climate Change Canada 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, Environment and Climate Change Canada 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:

(in thousands of dollars)	2017	2016
Net cost of operations before government funding and transfers	\$1,104,102	\$1,047,584
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets (Note 11)	(44,891)	(43,252)
Net loss on disposals, write-off and adjustments to tangible capital assets	(6,523)	(252)
Common services provided without charge by other government departments (Note 14)	(101,145)	(108,113)
Refunds/adjustments to previous years' expenses	2,932	5,341
Decrease (increase) in liabilities related to the workforce adjustment	518	1,507
Decrease (increase) in accrued liabilities not charged to authorities	1,891	(2,104)
Decrease (increase) in vacation pay and compensatory leave	8,001	-
Decrease (increase) in employee future benefits (Note 8)	10,166	(315)
Decrease (increase) in environmental liabilities (Note 5)	(54,185)	(18,809)
Increase (decrease) in inventory (Note 10)	13,513	6,093
Other	5,371	4,214
Total items affecting net cost of operations but not affecting authorities	(164,352)	(155,690)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets (Note 11)	59,930	58,290
Transition payments for implementing salary payments in arrear	-	156
Prepaid expenses	(87)	(87)
Salary Overpayments	5,560	-
Other Loans and advances to employees	3	-
Capital lease payments	712	674
Total items not affecting net cost of operations but affecting authorities	66,118	59,033
Current year authorities used	\$1,005,868	\$950,927

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

3. Parliamentary authorities (continued)

(b) Authorities provided and used:

(in thousands of dollars)

	2017	2016
Authorities Provided		
Vote 1 - Operating expenditures	\$750,844	\$743,871
Vote 5 - Capital expenditures	73,872	84,387
Vote 10 - Grants & Contributions	149,433	119,226
Statutory amounts	84,490	87,226
	1,058,639	1,034,710
Less:		
Authorities available for future years	(427)	(590)
Lapsed authorities	(52,344)	(83,193)
	(52,771)	(83,783)
Current year authorities used	\$1,005,868	\$950,927

4. Accounts payable and accrued liabilities

The following table presents details of Environment and Climate Change Canada's accounts payable and accrued liabilities:

(in thousands of dollars)

	2017	2016
Accounts payable - Other government departments and agencies	\$10,816	\$12,146
Accounts payable - External parties	99,946	98,827
Total accounts payable	110,762	110,973
Accrued liabilities	30,473	29,328
Total accounts payable and accrued liabilities	\$141,235	\$140,301

In *Canada's Economic Action Plan 2012*, the Government announced savings measures to be implemented by departments starting in 2012-2013 and extending over the three subsequent fiscal years. To this effect, the Department has recorded an obligation for termination benefits as part of accrued liabilities to reflect the estimated workforce adjustment costs. The remaining balance of these measures as of March 31, 2017 is \$211,500 (\$730,000 as of March 31, 2016).

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

5. Environmental liabilities

The government has developed a “Federal Approach to Contaminated Sites”, which incorporates a risk-based approach to the management of contaminated sites. Under this approach the Government has inventoried the contaminated sites on federal lands that have been identified, allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aides in the identification of the high risk sites in order to allocate limited resources to those sites which pose the highest risk to the environment and human health.

Environment and Climate Change Canada has identified approximately 111 sites (163 sites in 2015-2016) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the Department has identified 17 sites (23 sites in 2015-2016) where action is possible and for which a liability of \$183,005,866 (\$126,025,708 in 2015-2016) has been recorded. This liability estimate has been determined after the sites are assessed and is based on environmental experts reviewing the results of site assessments, and proposing possible remediation solutions.

In addition, a statistical model based upon a projection of the number of sites that will proceed to remediation and upon which current and historical costs are applied is used to estimate the liability for a group of unassessed sites. As a result, there are 14 unassessed sites (43 sites in 2015-2016) where a liability estimate of \$12,596,796 (\$15,392,016 in 2015-2016) has been recorded using this model.

These two estimates combined, totalling \$195,602,662 (\$141,417,724 in 2016), represents management’s best estimate of the costs required to remediate the sites to the current minimum standard for its use prior to contamination, based on information available at the financial statement date.

Of the remaining 80 sites (97 sites in 2015-2016), no liability for remediation has been recognized. Some of these sites are at various stages of testing and evaluation and if remediation is required, liabilities will be reported as soon as a reasonable estimate can be determined. For other sites, the Department does not expect to give up any future economic benefits (there is likely no significant environmental impact or human health threats). These sites will be re-examined and a liability for remediation will be recognized if future economic benefits will be given up.

The following table presents the total estimated amounts of these liabilities by nature and source, the associated expected recoveries and the total undiscounted future expenditures as at March 31, 2017, and March 31, 2016. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast CPI rate of 2%. Inflation is included in the undiscounted amount. The Government of Canada lending rate applicable to loans with similar terms to maturity has been used to discount the estimated future expenditures. The March 2017 rates range from 0.89% for 2 year term to 2.55% for a 25 or greater year term.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

5. Environmental liability (continued)

(in thousands of dollars)	Number of Sites 2017	Estimated Liability 2017	Estimated Total Undiscounted Expenditures 2017	Number of Sites 2016	Estimated Liability 2016	Estimated Total Undiscounted Expenditures 2016
Fuel Related Practices ⁽¹⁾	10	32,297	35,355	9	38,046	40,975
Marine Facilities / Aquatic Sites ⁽²⁾	13	162,674	185,119	48	99,460	104,485
Parks and Protected Areas ⁽³⁾	7	607	633	8	3,679	3,736
Office / commercial / industrial operations ⁽⁴⁾	1	25	26	1	233	233
Totals	31	\$195,603	\$221,133	66	\$141,418	\$149,429

⁽¹⁾ Contamination primarily associated with fuel storage and handling, e.g. accidental spills related to fuel storage tanks or former fuel handling practices, e.g. petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX.

⁽²⁾ Contamination associated with the operations of marine assets, e.g., port facilities, harbours, navigation systems, light stations, hydrometric stations, where activities such as fuel storage/handling, use of metal based paint (e.g., on light stations) resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons and other organic contaminants. Sites often have multiple sources of contamination.

⁽³⁾ Contamination associated with the operations and maintenance of parks and protected areas where activities such as fuel storage/handling, waste sites and use of metal based paint resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, PCBs and other organic contaminants. Sites often have multiple sources of contamination.

⁽⁴⁾ Contamination associated with the operations of the office/commercial/industrial facilities where activities such as fuel storage/handling, waste sites and use of metal-based paint resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc. Sites often have multiple sources of contamination.

The Government's ongoing efforts to assess contaminated sites may result in additional environmental liabilities. Any additional liabilities will be accrued in the year in which they become known and can be reasonably estimated.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

6. Deferred revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received from external parties that are restricted in order to fund the expenditures related to specific projects. Revenue is recognized in the period in which these expenditures are incurred or in which the service is performed. Details of the transactions related to this account are as follows:

(in thousands of dollars)	2017	2016
Opening balance	\$7,116	\$7,945
Amounts received		
Donations	2	1
Cost sharing project deposits	2,578	5,898
Revenue recognized	(2,865)	(6,728)
Closing balance	\$6,831	\$7,116

7. Lease obligation for tangible capital assets

Environment and Climate Change Canada has entered into agreements to lease certain equipment under capital leases with a cost of \$18,198,560 and accumulated amortization of \$10,918,733 as at March 31, 2017 (\$18,198,560 of cost and \$10,190,791 in accumulated amortization respectively as at March 31, 2016) as reflected in note 11. The obligations related to the upcoming years include Carleton University for which, on October 13, 2000, Environment and Climate Change Canada entered into an agreement to rent office laboratory space for the National Wildlife Research Centre (NWRC), at an annual cost of \$1,300,000 under a capital lease which expires in 2028.

(in thousands of dollars)	2017	2016
Maturing year		
2017		\$1,300
2018	\$1,300	1,300
2019	1,300	1,300
2020	1,300	1,300
2021	1,300	1,300
2022 and thereafter	7,800	7,800
Total future minimum lease payments	13,000	14,300
Less: imputed interest (5.63%)	3,262	3,850
Balance of obligation under leased tangible capital assets	\$9,738	\$10,450

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

8. Employee future benefits

(a) Pension benefits

Environment and Climate Change Canada's 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 the Department contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to *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 2016-2017 expense amounts to \$55,858,162 (\$58,090,226 in 2015-2016). For Group 1 members, the expense represents approximately 1.12 times (1.25 times in 2015-2016) the employee contributions and, for Group 2 members, approximately 1.08 times (1.24 times in 2015-2016) the employee contributions.

Environment and Climate Change Canada'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

Severance benefits provided to the Environment and Climate Change Canada's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2017, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

(in thousands of dollars)	2017	2016
Accrued benefit obligation, beginning of year	\$36,426	\$36,111
Expense for the year	(7,385)	5,784
Benefits paid during the year	(2,781)	(5,469)
Accrued benefit obligation, end of year	\$26,260	\$36,426

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

9. Accounts receivable and advances

The following table presents details of Environment and Climate Change Canada's accounts receivable and advances balances:

(in thousands of dollars)	<u>2017</u>	2016
Receivables - Other government departments and agencies	\$5,234	\$8,029
Receivables - External parties	21,937	13,695
Employee advances	36	230
Subtotal	<u>27,207</u>	21,954
Allowance for doubtful accounts on receivables from external parties	(273)	(428)
Gross accounts receivable	<u>26,934</u>	21,526
Accounts receivable held on behalf of Government	(3,333)	(4,551)
Net accounts receivable	<u>\$23,601</u>	\$16,975

10. Inventory

The following table presents details of the inventory:

(in thousands of dollars)	<u>2017</u>	2016
Printed material, books, maps and forms	\$20	\$68
Stationery and office paper supplies	348	480
Meteorological supplies	17,536	12,134
Electric lighting	81	55
Compressed gases and acetylene	7	1
Chemicals and related products	6	8
Scientific & technical equipment	684	11
Radar Equipment	4,235	-
Computer equipment	2,615	-
Laboratory materials and supplies	174	-
Test vehicles	3,157	2,593
Total inventory	<u>\$28,863</u>	\$15,350

Inventory is valued using the moving average price.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

11. Tangible capital assets

Cost

(in thousands of dollars)

	2016	Acquisitions	Adjustments ⁽³⁾	Disposals and Write-offs	2017
Land	\$25,736	-	-	\$1,400	\$24,336
Buildings	212,598	-	4,837	-	217,435
Works and infrastructure	35,316	-	1,324	-	36,640
Machinery and equipment	475,259	15,027	18,420	12,153	496,553
Vehicles ⁽²⁾	41,937	1,119	82	2,080	41,058
Leasehold improvements	37,884	-	2,098	-	39,982
Assets under construction ⁽¹⁾	108,889	43,784	(26,865)	5,785	120,023
Leased tangible capital asset - building	18,199	-	-	-	18,199
	\$955,818	\$59,930	(\$104)	\$21,418	\$994,226

Accumulated amortization

(in thousands of dollars)

	2016	Amortization	Adjustments ⁽³⁾	Disposals and Write-offs	2017
Buildings	\$133,994	\$6,377	(\$33)	-	\$140,338
Works and infrastructure	8,723	1,780	-	-	10,503
Machinery and equipment	365,514	32,173	(644)	10,988	386,055
Vehicles ⁽²⁾	29,091	2,422	3	2,070	29,446
Leasehold improvements	32,624	1,411	-	-	34,035
Leased tangible capital asset - building	10,191	728	-	-	10,919
	\$580,137	\$44,891	(\$674)	\$13,058	\$611,296

Net book value

(in thousands of dollars)

	2016	2017
Land	\$25,736	\$24,336
Buildings	78,604	77,097
Works and infrastructure	26,593	26,137
Machinery and equipment	109,745	110,498
Vehicles ⁽²⁾	12,846	11,612
Leasehold improvements	5,260	5,947
Assets under construction ⁽¹⁾	108,889	120,023
Leased tangible capital asset - building	8,008	7,280
Net Book Value	\$375,681	\$382,930

⁽¹⁾ Assets under construction include: buildings, engineering works, software and other construction.

⁽²⁾ Vehicles include: road motor vehicles, off road vehicles, aircraft, mobile laboratories, ships and boats.

⁽³⁾ Adjustments include assets under constructions of \$27,166,679 that were transferred to the other categories upon completion of the assets, post-capitalization and write-offs for a net book value of \$767,627 reduced by transfers of tangible capital assets between departments with a net effect of \$198,199 on the departmental net financial position.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

12. Contractual obligations

The nature of Environment and Climate Change Canada's activities can result in some large multi-year contracts and obligations whereby Environment and Climate Change Canada will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	Operating leases	Transfer payments	Capital Assets	Other	Total
2018	\$12,860	\$58,532	\$13,142	\$39,397	\$123,931
2019	12,860	44,152	26,853	6,559	90,424
2020	12,860	11,954	36,658	1,445	62,917
2021	12,860	6,492	26,284	712	46,348
2022 and thereafter	257,200	2,204	9,098	8,444	276,946
Total	\$308,640	\$123,334	\$112,035	\$56,557	\$600,566

13. Contingent liabilities

Claims have been made against Environment and Climate Change Canada in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. Environment and Climate Change Canada has recorded an allowance for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$35,275,000 at March 31, 2017 (\$8,775,000 in 2015-2016).

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

14. Related party transactions

Environment and Climate Change Canada is related as a result of common ownership to all Government departments, agencies, and Crown corporations. Environment and Climate Change Canada enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, Environment and Climate Change Canada 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, Environment and Climate Change Canada received services without charge from certain common service organizations, related to accommodation, the employer's contribution to the health and dental insurance plans, legal services and workers' compensation coverage. These services provided without charge have been recorded in Environment and Climate Change Canada's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2017	2016
Accommodation	\$49,793	\$57,566
Employer's contribution to the health and dental insurance plans	49,419	46,736
Workers' compensation	1,046	1,133
Legal services	887	2,678
Total	\$101,145	\$108,113

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 Services and Procurement Canada, the informatic services provided by Shared Services Canada and the audit services provided by the Office of the Auditor General are not included in Environment and Climate Change Canada's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with related parties :

(in thousands of dollars)	2017	2016
Accounts receivable - Other government departments and agencies	\$5,234	\$8,029
Accounts payable - Other government departments and agencies	10,816	12,146
Expenses - Other Government departments and agencies	185,111	170,636
Revenues - Other Government departments and agencies	29,640	28,614

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

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

15. Transfers to/from other government departments

During the year, Environment and Climate Change Canada transferred tangible capital assets with Fisheries and Oceans Canada and National Defence with a net effect of \$198,199 (\$168,112 in 2015-2016) on the departmental net financial position affecting categories under land, machinery and equipment and vehicles.

(in thousands of dollars)

Assets:

Tangible capital assets (Note 11)

Total assets transferred

2017

\$198

198

Adjustment to Environment and Climate Change Canada net financial position

\$198

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

16. Segmented information

Presentation by segment is based on Environment and Climate Change Canada'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 by strategic outcomes, by major object of expense and by major type of revenue. The segment results for the period are as follows:

(in thousands of dollars)	Conservation of Canada's natural environment	Weather Information	Threats from pollution minimized	Internal Services	2017	2016
Operations and administration						
Salaries and employee benefits	\$180,961	\$158,930	\$176,744	\$124,437	\$641,072	\$664,726
Professional and special services	37,459	10,868	29,407	18,616	96,350	84,185
Accommodation	16,225	10,480	14,161	12,402	53,268	62,709
Amortization of tangible capital assets	11,591	12,830	11,100	9,370	44,891	43,252
Other contracted services	5,284	10,925	2,143	7,296	25,648	27,844
Materials and supplies	8,476	7,344	6,848	2,288	24,956	21,227
Rentals	11,653	3,598	1,309	9,498	26,058	26,590
Travel	10,312	6,111	6,498	2,450	25,371	25,078
Machinery & equipment	5,895	(45)	3,541	1,039	10,430	11,468
Net loss on disposals, write-off and adjustments to tangible capital assets	1,611	2,033	1,307	1,572	6,523	252
Environmental liabilities expenditures	-	-	54,185	-	54,185	18,809
Equipment repair and maintenance	3,534	3,131	2,145	1,208	10,018	9,745
Postage	1,728	1,206	650	457	4,041	3,877
Information services – communications	1,304	294	2,679	719	4,996	2,374
Telecommunications	319	334	82	1,243	1,978	681
Earmarked fees and levies	1,886	-	25	-	1,911	939
Other	757	4,375	415	2,626	8,173	10,878
Total Operations and administration	298,995	232,414	313,239	195,221	1,039,869	1,014,634
Transfer payments						
Non-profit organizations	89,691	2,061	24,691	-	116,443	94,240
Other countries and international organizations	498	3,706	19,837	-	24,041	14,655
Other levels of governments within Canada	8,352	97	-	-	8,449	8,095
Other to individuals	212	6	-	-	218	462
Industry	305	-	181	-	486	305
Total Transfer payments	99,058	5,870	44,709	-	149,637	117,757
Total Expenses	398,053	238,284	357,948	195,221	1,189,506	1,132,391
Revenues						
Sales of goods and services	34,278	35,888	6,942	860	77,968	78,846
Other revenues	12,634	3,498	658	1,623	18,413	16,690
Revenues earned on behalf of Government	(5,811)	(2,918)	(674)	(1,574)	(10,977)	(10,729)
Total Revenues	41,101	36,468	6,926	909	85,404	84,807
Net cost of operations	\$356,952	\$201,816	\$351,022	\$194,312	\$1,104,102	\$1,047,584

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

17. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

Environment and Climate Change Canada

**Annex to the
Statement of Management Responsibility
Including Internal Control Over
Financial Reporting 2016-2017**

Environment and Climate Change Canada

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting 2016-2017

Table of Contents

Annex to the Statement of Management Responsibility (SOMR)	29
1. Introduction	29
1.1 Authority, Mandate and Program Activities	29
2. Environment and Climate Change Canada's System of Internal Control Over Financial Reporting.....	29
2.1 Internal Control over Financial Reporting.....	29
2.2 Service Arrangements Relevant to Financial Statements	31
3. Departmental Assessment Results During Fiscal Year 2016-2017	32
3.1 Ongoing Monitoring.....	32
4. Environment and Climate Change Canada's Action Plan.....	34
4.1 Progress During Fiscal Year 2016-2017	34
4.2 Action plan for Fiscal Year 2017-2018 and Subsequent Years.....	35

Annex to the Statement of Management Responsibility (SOMR)

1. Introduction

This document provides summary information on the measures taken by ECCC to maintain an effective system of Internal Control over Financial Reporting (ICFR), including information on internal control management, assessment results and related action plans.

1.1 Authority, Mandate and Program Activities

Detailed information on ECCC's authority, mandate and program activities can be found in the [Departmental Results Report](#) (formerly Departmental Performance Reports) and [Departmental Plans](#) (formerly Reports on Plans and Priorities).

2. Environment and Climate Change Canada's System of Internal Control Over Financial Reporting

2.1 Internal Control over Financial Reporting

ECCC's ICFR is governed by an over-arching, Deputy Minister (DM) approved Internal Control Framework (ICF) that includes a Financial Management Framework as an integral component. The ICF includes the following elements:

- governance and accountability structures for internal control management;
- an integrated ICFR approach and methodology;
- effective oversight, assessment and remediation mechanisms;
- a comprehensive ICFR ongoing monitoring program which includes an annual monitoring plan; and
- the ECCC Values and Ethics Code.

Organizational Accountabilities Structure

As described in its ICF, ECCC has a well-established governance and accountability structure which supports departmental assessment efforts and oversight of its system of internal controls throughout the organization.

Roles and responsibilities as they relate to ICFR are as follows:

- **Deputy Minister (DM)** – ECCC's DM, as Accounting Officer, assumes overall stewardship responsibility and leadership for ICFR. The DM is responsible for ensuring that a risk-based departmental system of internal control over financial reporting is established, monitored and maintained.
- **Chief Financial Officer (CFO)** – ECCC's CFO reports directly to the DM and provides leadership for the coordination, coherence and focus on the design and maintenance of an

effective and integrated system of ICFR. The CFO's key roles are as strategic advisor and steward of sound internal control and financial management practices.

- **Senior Departmental Managers (SDMs)** – SDMs, who report directly to the DM, are responsible to provide leadership in financial management, internal controls, and financial reporting and disclosure. They are also responsible for seeking the advice and support of the CFO in the development and maintenance of an effective financial management, risk and control framework over programs. Additionally, SDMs must provide the DM with assurance that business processes and appropriate controls are in place to ensure the effectiveness of their organization's financial management and internal control systems to meet the requirements set out in the SOMR.
- **Chief Audit Executive (CAE)** – The CAE provides independent assurance to the DM regarding the effectiveness of risk management, control and governance processes.
- **External Audit Advisory Committee (EAAC)** – The EAAC is an independent committee, consisting of four external members, which provides the Deputy Minister with objective advice and recommendations regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the Department's frameworks and processes for risk management, control and governance (including accountability and auditing systems). The EAAC also reviews the annual Departmental Financial Statements including the SOMR as an Annex.
- **Executive Management Committee (EMC)** – EMC is the collective senior executive body of the Department where consensus is built on horizontal management issues, options are discussed, and recommendations are made for decision by the Deputy Minister. EMC recommends the overall strategic direction and priorities of the Department and oversees the management of departmental activities, and their related resources, results and risks in an integrated way.
- **Financial Policy, Systems and Controls (FPSC) Division** of the Procurement, Accounting and Controls Directorate - Leads the integrated management, stewardship of departmental ICFR and continual transformation and improvement of departmental financial systems, corporate financial policy and business process management. FPSC internal control assessments and remediation of control deficiencies involve the engagement of all branches and regions to provide senior departmental officials with the assurance that ICFR is in place and operating effectively.

Governance and Oversight Measures

ECCC's control environment includes a series of measures which help ensure that risks are effectively managed through a responsible and risk-based approach.

Key measures include:

- ECCC continues to advance and support public service values and ethical standards for its employees and managers through a mandatory online Values and Ethics Course;
- an *Integrated Risk Management Framework*, and a broadly communicated *Corporate Risk Profile*;
- a *regularly updated Delegation of Financial Signing Authorities and Designation Order Instrument*;
- annual *Performance Management Agreements* for SDMs that assess accountabilities and financial management responsibilities;

- an *Internal Control Checklist* signed by each SDM, integrated as part of the annual *Public Accounts Letter of Representation* approval process, confirming that the respective organization had maintained a system of financial management and internal control and that all known deficiencies in the operation of disclosure controls and procedures and of ICFR have been disclosed;
- ongoing training programs and regular communication to departmental employees on core areas of financial management; and
- a formal SAP financial system change management process.

2.2 Service Arrangements Relevant to Financial Statements

ECCC relies on other organizations for the processing of certain transactions that are recorded in its financial statements as follows:

Common Arrangements

- Public Service and Procurement Canada (PSPC) centrally administers the payments of salaries and benefits, the procurement of some goods and services, as well as the cost of accommodations on behalf of ECCC. In addition, PSPC is responsible for processing and the quality assurance of ECCC's salaries and benefits transactions in the Phoenix pay system at its Pay Centre in Miramichi;
- Shared Services Canada (SSC) provides IT infrastructure services to ECCC in the areas of data centre and network services. The scope and responsibilities are outlined in the interdepartmental agreement between SSC and ECCC. SSC has updated its ITGC Framework with the objective to identify a set of common 'end-state' IT controls that can be applied horizontally to all infrastructure services, and that aims to differentiate the broad roles and responsibilities between SSC and departmental partners. End-state IT control testing is targeted to begin on-going monitoring rotation starting in 2018-2019;
- The TBS provides ECCC with information used to calculate some accruals and allowances such as the accrued severance liability;
- The Department of Justice provides legal services to ECCC; and
- The Public Prosecution Service of Canada provides prosecution services to ECCC.

Specific Arrangements

- Agriculture and Agri-Food Canada (AAFC) provides ECCC with a SAP financial system platform to capture and report all financial transactions. Under this arrangement, ECCC relies on AAFC for the management of certain IT controls and procedures (e.g. security, configuration, change management, business continuity) and also manages various master data functions in SAP on ECCC's behalf.

3. Departmental Assessment Results During Fiscal Year 2016-2017

In 2016-17 ECCC achieved ongoing monitoring status and has subsequently began the implementation of its ongoing monitoring program. Assessments completed in 2016-17 were based on the results of ECCC's annual risk-based assessment (ARBA) and the associated *controls assessment plan* as presented in the 2015-16 Annex.

3.1 Ongoing Monitoring

As part of its 2016-17 ongoing monitoring plan, ECCC focused on reviewing and updating documentation of high-risk business processes to reflect the continuously changing operating landscape. This risk-based approach ensures that critical controls for high-risk processes, as well as emerging risks are identified, assessed, and remediated as necessary and in a timely manner.

Information Technology General Controls (ITGCs)

- Update of ITGC documentation, including the ITGC Framework, to reflect the changing IT landscape, where the department is partnering with external service providers, who perform many ITGCs on behalf of ECCC.
- The updated ITGC Framework included assessments of the following areas: Third party assurances, Logical access, Change management, Operations and backups and IT security.
- Key recommendations were made to strengthen the process for third-party assurance over ITGCs.

Manage Pay Administration

Internal Control over Financial Reporting (ICFR) documentation of the pay administration was updated to reflect the implementation of the new pay system. The internal control descriptions in the control matrix were reviewed to identify current activities in place to manage identified risks.

The Department has been proactive in our readiness to address potential issues around the implementation of the Phoenix pay system. For example, an Environment and Climate Change Canada (ECCC) team has joined the Public Service and Procurement Canada (PSPC) satellite office to resolve matters, such as but not limited to, overpayments to employees. Furthermore, additional resources continue to analyze data from Phoenix and My Government of Canada Human Resources (My GCHR) to identify root causes and to mitigate against future issues.

In addition, the newly released Guide on Financial Management of Pay Administration, which will be implemented in the coming months, will lend to increased monitoring and controls. This new guide provides an overview of the end-to-end pay process and recommends procedures, controls and monitoring activities to be carried out by departments.

Operating expenditures

As part of its ongoing monitoring of operating expenditures (includes Manage Procure to Payment, Manage Travel, Manage Administration of Acquisition and Fleet Cards, Manage

Delegation of Financial and Spending Authorities), ECCC continued to perform account verification by overseeing the implementation and monitoring of the Directive on Account Verification and the Account Verification process, bringing to the DM's attention any significant gaps in performance or compliance issues.

Results of ongoing monitoring:

- Implemented enhanced quarterly consolidated report which aims to inform Senior Management of errors detected, logged and corrected by Financial Officers following Account Verification.
- For Low, Medium and High-Risk Transactions, Financial Policy, Systems and Controls Division has developed new tools to raise delegated managers' awareness with respect to their roles and responsibilities regarding account verification.
- Formal implementation of an enhanced escalation process is expected to be implemented in the next fiscal year.

4. Environment and Climate Change Canada's Action Plan

4.1 Progress During Fiscal Year 2016-2017

During 2016-2017, ECCC dedicated its energy on continuing the implementation of its ongoing monitoring strategy by focusing on high risk areas to make significant progress in completing the assessment of its key controls and meeting all expectations set in its 2015-16 action plan. Table 1 provides a summary of the progress made by ECCC.

Table 1 Work Completed in 2016-2017 Based on Action Plan in 2015-16 Annex	
Element in previous year's (2015-16) action plan	Updated Status at March 31, 2017
<p>Ongoing monitoring</p> <ul style="list-style-type: none"> • Entity Level Controls (ELCs) • Information Technology General Controls (ITGCs) • Manage Pay Administration • Manage Procure to Payment <ul style="list-style-type: none"> • Manage Travel • Manage Administration of Acquisition and Fleet Cards • Manage Delegation of Financial and Spending Authorities • Manage Vendor Master Data File 	<ul style="list-style-type: none"> • Initiated in 2016-17 and will continue in 2017-18, a review of relevant Departmental documentation (policies, procedures, guidelines, reports and minutes) that support Entity Level Controls activities. • Conducted ICFR ongoing monitoring assessment to update the ITGC documentation and reflect the changing landscape where the department is partnering with external service providers. • Conducted a review of the documentation of the Manage Pay Administration process. • Conducted continuous monitoring of key controls on Manage Procure to Pay, Manage Travel, Manage of Administration and Fleet Cards, Manage Delegation of Financial and Spending Authorities through post payment verification and data analytics. • Conducted monitoring of key control activities for Manage Vendor Master Data File in 2016-17.

4.2 Action plan for Fiscal Year 2017-2018 and Subsequent Years

The ECCC's rotational ongoing monitoring plan, as depicted below, extends over the next three years based on an annual validation of the high-risk processes and controls and related adjustments to the ongoing monitoring plan. ECCC has regrouped the Business Processes into key control areas as proposed in the new Treasury Board of Canada Guideline on Internal Control.

Rotational Ongoing Monitoring Plan			
Key control areas	2017-2018	2018-2019	2019-2020
Entity Level Controls	Yes	Yes	Yes
Information Technology General Controls	Yes	Yes	Yes
Payroll	Yes	Yes	Yes
Operating expenditures	Yes	Yes	Yes
Capital expenditures	Yes	No	No
Grants and contributions	No	Yes	No
Revenue	Yes	No	No
Financial close and reporting	No	Yes	No
Environmental liabilities	No	Yes	No