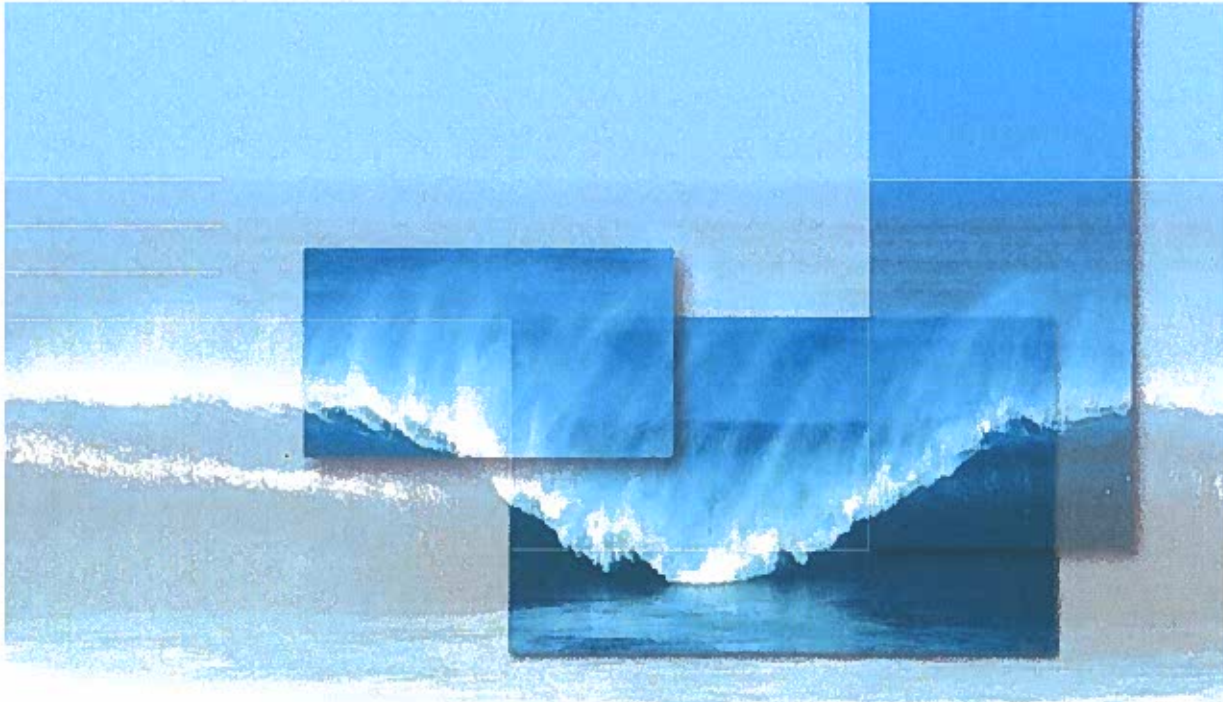




Fisheries and Oceans  
Canada

Pêches et Océans  
Canada



# Financial Statements of

FISHERIES AND OCEANS CANADA

Year ended March 31, 2019



## FISHERIES AND OCEANS CANADA

### Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2019, and all information contained in these statements rests with the management of Fisheries and Oceans 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 the Department's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Department'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 designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the Financial Administration Act and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Department; and through conducting an annual risk-based assessment of the effectiveness of the system of internal control over financial reporting.

The system of internal control over financial reporting 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 internal control over financial reporting for the year ended March 31, 2019 was completed in accordance with the Treasury Board Policy on Financial Management and the results and action plans are summarized in the annex.

The annex also provides information on the status of the risk-based assessment of the controls over common services provided by the department that have a bearing on a recipient's departmental financial statements.

The effectiveness and adequacy of the Department's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the Department's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Minister.



## FISHERIES AND OCEANS CANADA

The financial statements of Fisheries and Oceans Canada have not been audited.

*Tim Sargent*  
Deputy Minister

Ottawa, Canada

03 SEP. 2019

*Jen O'Donoghue*  
Chief Financial Officer

Ottawa, Canada

Year ended March 31, 2019



**FISHERIES AND OCEANS CANADA**  
**Statement of Financial Position (Unaudited)**  
**As at March 31**

(in thousands of dollars)	2019	2018
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 493,366	\$ 455,756
Vacation pay and compensatory leave	103,761	91,003
Environmental liabilities (Note 5)	226,346	129,546
Deferred revenues (Note 6)	9,103	7,710
Other liabilities (Note 7)	29,330	28,949
Employee future benefits (Note 8)	38,118	38,324
Contingent liabilities (Note 9)	549,538	344,000
<b>Total gross liabilities</b>	<b>1,449,562</b>	<b>1,095,288</b>
<b>Liabilities held on behalf of Government</b>		
Deferred revenues (Note 6)	(9,103)	(7,710)
<b>Total liabilities held on behalf of Government</b>	<b>(9,103)</b>	<b>(7,710)</b>
<b>Total net liabilities</b>	<b>1,440,459</b>	<b>1,087,578</b>
<b>Financial assets</b>		
Due from the Consolidated Revenue Fund	489,132	451,219
Accounts receivable and advances (Note 10)	65,578	61,049
Loans receivable (Note 11)	1,850	-
<b>Total gross financial assets</b>	<b>556,560</b>	<b>512,268</b>
<b>Financial assets held on behalf of Government</b>		
Accounts receivable and advances (Note 10)	(29,657)	(27,931)
Loans receivable (Note 11)	(1,850)	-
<b>Total financial assets held on behalf of Government</b>	<b>(31,507)</b>	<b>(27,931)</b>
<b>Total net financial assets</b>	<b>525,053</b>	<b>484,337</b>
<b>Departmental net debt</b>	<b>\$ 915,406</b>	<b>\$ 603,241</b>

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



**FISHERIES AND OCEANS CANADA**

**Statement of Financial Position (Unaudited) (continued)**

**As at March 31**

(in thousands of dollars)	2019	2018
<b>Departmental net debt</b>	<b>\$ 915,406</b>	<b>\$ 603,241</b>
<b>Non-financial assets</b>		
Prepaid Expenses (Note 12)	-	25,000
Inventory (Note 13)	57,583	58,899
Tangible capital assets (Note 14)	5,389,424	4,356,011
<b>Total non-financial assets</b>	<b>5,447,007</b>	<b>4,439,910</b>
<b>Departmental net financial position (Note 15)</b>	<b>\$ 4,531,601</b>	<b>\$ 3,836,669</b>

Contractual obligations (Note 16)

The accompanying notes form an integral part of these financial statements

*Tim Sargent*

Tim Sargent  
Deputy Minister

03 SEP. 2019

*Joe O'Donoghue*

Joe O'Donoghue  
Chief Financial Officer

AUG 30 2019

Ottawa, Canada

Ottawa, Canada

**FISHERIES AND OCEANS CANADA****Statement of Operations and Departmental Net Financial Position (Unaudited)  
For the Year Ended March 31**

(in thousands of dollars)	Planned Results 2019	2019	2018
<b>Expenses</b>			
Fisheries	\$ 698,570	\$ 882,768	\$ 667,194
Aquatic Ecosystems	197,209	251,815	215,385
Marine Navigation	653,367	328,274	293,826
Marine Operations and Response	653,367	762,870	645,976
Internal Services	357,946	516,766	441,935
<b>Total expenses</b>	<b>2,560,459</b>	<b>2,742,493</b>	<b>2,264,316</b>
<b>Revenues</b>			
Sales of goods and services	87,187	85,161	87,545
Other revenues	3,815	13,898	6,822
Revenues earned on behalf of Government	(52,002)	(55,239)	(52,923)
<b>Total revenues</b>	<b>39,000</b>	<b>43,820</b>	<b>41,444</b>
<b>Net cost of operations before government funding and transfers</b>	<b>2,521,459</b>	<b>2,698,673</b>	<b>2,222,872</b>
<b>Government funding and transfers</b>			
Net cash provided by Government		3,215,271	2,617,489
Change in due from Consolidated Revenue Fund		37,913	(739)
Services provided without charge by other government departments (Note 17)		135,881	129,283
Transfer of the transition payments for implementing salary payments in arrears		(3)	(7)
Transfer of assets and liabilities from / (to) other government departments		-4,543	36
<b>Total Government funding and transfers</b>		<b>3,393,605</b>	<b>2,746,067</b>
<b>Net cost of operations after government funding and transfers</b>		<b>(694,932)</b>	<b>(523,195)</b>
<b>Departmental net financial position - Beginning of year</b>		<b>3,836,669</b>	<b>3,313,474</b>
<b>Departmental net financial position - End of year</b>		<b>\$ 4,531,601</b>	<b>\$ 3,836,669</b>

Segmented information (Note 18)

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

**FISHERIES AND OCEANS CANADA**  
**Statement of Change in Departmental Net Debt (Unaudited)**  
**For the Year Ended March 31**

(in thousands of dollars)	2019	2018
<b>Net cost of operations after government funding and transfers</b>	<b>(\$ 694,932)</b>	<b>(\$ 523,195)</b>
<b>Change due to tangible capital assets</b>		
Acquisition of tangible capital assets	1,306,183	786,118
Amortization of tangible capital assets	(227,284)	(192,990)
Proceeds from disposal of tangible capital assets	(9,181)	(3,332)
Net gain (loss) on disposal of tangible capital assets including adjustments	(40,848)	(7,193)
Transfers from / (to) other government departments	4,543	36
<b>Total change due to tangible capital assets</b>	<b>1,033,413</b>	<b>582,639</b>
<b>Change due to inventory</b>	<b>(1,316)</b>	<b>4,156</b>
<b>Change due to prepaid expenses</b>	<b>(25,000)</b>	<b>-</b>
<b>Net increase in departmental net debt</b>	<b>312,165</b>	<b>63,600</b>
<b>Departmental net debt - Beginning of year</b>	<b>603,241</b>	<b>539,641</b>
<b>Departmental net debt - End of year</b>	<b>\$ 915,406</b>	<b>\$ 603,241</b>

The accompanying notes form an integral part of these financial statements

**FISHERIES AND OCEANS CANADA**  
**Statement of Cash Flows (Unaudited)**  
**For the Year Ended March 31**

(in thousands of dollars)

	2019	2018
<b>Operating activities</b>		
Net cost of operations before government funding and transfers	\$ 2,698,673	\$ 2,222,872
<b>Non-cash items:</b>		
Amortization of tangible capital assets	(227,284)	(192,990)
Net loss on disposal of tangible capital assets including adjustments	(40,848)	(7,193)
Services provided without charge by other government departments (Note 17)	(135,881)	(129,288)
Transition payments for implementing salary payments in arrears	3	7
<b>Variations in Statement of Financial Position:</b>		
Increase (decrease) in accounts receivable and advances	2,803	12,206
Increase (decrease) in prepaid expenses	(25,000)	-
Increase (decrease) in inventory	(1,316)	4,156
Decrease (increase) in accounts payable and accrued liabilities	(37,610)	10,797
Decrease (increase) in vacation pay and compensatory leave	(12,758)	(15,207)
Decrease (increase) in other liabilities	(381)	(4,785)
Decrease (increase) in environmental liabilities	(96,800)	(17,392)
Decrease (increase) in employee future benefits	206	(4,005)
Decrease (increase) in contingent liabilities	(205,538)	(44,475)
<b>Cash used in operating activities</b>	<b>1,918,269</b>	<b>1,834,703</b>
<b>Capital investing activities</b>		
Acquisitions of tangible capital assets	1,306,183	786,118
Proceeds from disposal of tangible capital assets	(9,181)	(3,332)
<b>Cash used in capital investing activities</b>	<b>1,297,002</b>	<b>782,786</b>
<b>Net cash provided by Government of Canada</b>	<b>\$ 3,215,271</b>	<b>\$ 2,617,489</b>

The accompanying notes form an integral part of these financial statements





## FISHERIES AND OCEANS CANADA

### Notes to the Financial Statements (Unaudited)

### For the Year Ended March 31

#### 1. Authority and objectives

Fisheries and Oceans Canada was established under the *Department of Fisheries and Oceans Act* and reports to Parliament through the Minister of Fisheries and Oceans and the Canadian Coast Guard

Fisheries and Oceans Canada's main legislative authorities are

- the *Oceans Act*;
- the *Fisheries Act*;
- the *Species at Risk Act*;
- the *Coastal Fisheries Protection Act*; and
- the *Canada Shipping Act, 2001*

Fisheries and Oceans Canada is currently organized into the following core responsibilities

**Fisheries:** Manage Canada's fisheries, Indigenous fisheries programs, aquaculture activities and supports commercial fishing harbours while applying relevant legislation

**Aquatic Ecosystems:** Conserve and protect Canada's oceans and other aquatic ecosystems and species from human impact and invasive species

**Marine Navigation:** Provide information and services to facilitate navigation in Canadian waters

**Marine Operations and Response:** Provide marine response services and operates Canada's civilian maritime fleet

**Internal Services** are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the 10 distinct service categories that support Program delivery in the organization, regardless of the Internal Services delivery model in a department. The 10 service categories 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; and Acquisition Services.

#### 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*

Fisheries and Oceans Canada is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Department 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 2018-2019 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 2018-2019 Departmental Plan.



## FISHERIES AND OCEANS CANADA

### Notes to the Financial Statements (Unaudited)

### For the Year Ended March 31

#### 2. Summary of significant accounting policies (continued)

##### *(b) Net Cash Provided by Government*

Fisheries and Oceans Canada operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by Fisheries and Oceans Canada is deposited to the CRF, and all cash disbursements made by Fisheries and Oceans 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) Amounts due from or to the CRF*

Amounts due from or to the CRF are the result of timing differences that occur 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 Fisheries and Oceans Canada is entitled to draw from the CRF without further authorities to discharge its liabilities.

##### *(d) Revenues*

Revenues from regulatory fees are recognized based on the services provided in the year.

Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. Revenues are then recognized in the period in which the related expenses are incurred.

Deferred revenue consists of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned.

Other revenues are recognized in the period the event giving rise to the revenues occurred.

Revenues that are non-respendable are not available to discharge Fisheries and Oceans Canada's liabilities. While the Deputy Minister 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.

##### *(e) Expenses*

Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient.

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 carrying value.

##### *(f) Employee future benefits*

(i) Pension benefits - Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. Fisheries and Oceans Canada's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Fisheries and Oceans 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.

(ii) Severance benefits - The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits 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 and loans receivable*

Accounts and loans receivable are initially recorded at cost and where necessary, are discounted to reflect their concessionary terms. Concessionary terms of loans include cases where loans are made on a long-term, low interest or interest-free basis. Transfer payments that are unconditionally repayable are recognized as loans receivable. When necessary, an allowance for valuation is recorded to reduce the carrying value of accounts and loans receivable to amounts that approximate their net recoverable value.



## FISHERIES AND OCEANS CANADA

### Notes to the Financial Statements (Unaudited)

### For the Year Ended March 31

#### 2. Summary of significant accounting policies (continued)

##### *(h) Non-financial assets*

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described in Note 14. All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Tangible capital assets do not include immovable assets located on reserves as defined in the Indian Act, works of art, museum collection and Crown land to which no acquisition cost is attributable, and intangible assets.

Inventories are valued at cost and are comprised of spare parts, materials, supplies and fuel held for future program delivery and are not primarily intended for resale. Inventories that no longer have service potential are valued at the lower of cost or net realizable value. Fuel is valued using the moving weighted average cost method.

Inventory held for resale consists of supplies for the production of publications and publications which will be sold in the future. It is valued at the lower of cost or net realizable value.

##### *(i) Contingent liabilities*

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

##### *(j) Contingent assets*

Contingent assets are possible assets which may become actual assets when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, the contingent asset is disclosed in the notes to the financial statements.

##### *(k) Environmental liabilities*

An environmental liability for the remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the Government 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 Government's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination. When the future cash flows required to settle or otherwise extinguish a liability are estimable, predictable and expected to occur over extended future periods, a present value technique is used. The discount rate used reflects the Government's cost of borrowing, associated with the estimated number of years to complete remediation.

The recorded liabilities are adjusted each year, 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.

##### *(l) Measurement uncertainty*

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are contingent liabilities, environmental liabilities, the liability for employee future benefits and the useful life of tangible capital assets.

Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

Environmental liabilities are subject to measurement uncertainty as discussed in Note 5 due to the evolving technologies used in the estimation of the costs for remediation of contaminated sites, the use of discounted present value of future estimated costs, and the fact that not all sites have had a complete assessment of the extent and nature of remediation. Changes to underlying assumptions, the timing of the expenditures, the technology employed, or the revisions to environmental standards or changes in regulatory requirements could result in significant changes to the environmental liabilities recorded.



**FISHERIES AND OCEANS CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**2. Summary of significant accounting policies (continued)**

**(m) Related party transactions**

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i. Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.
- ii. Certain services received on a without charge basis are recorded for departmental financial statement purposes at the carrying amount.

**3. Parliamentary authorities**

Fisheries and Oceans 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, Fisheries and Oceans 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)	2019	2018
Net cost of operations before government funding and transfers	\$ 2,698,673	\$ 2,222,872
<b>Adjustments for items affecting net cost of operations but not affecting authorities:</b>		
Amortization of tangible capital assets	(227,284)	(192,990)
Net (loss) / gain on disposal of tangible capital assets including adjustments	(40,848)	(7,193)
Services provided without charge by other government departments	(135,881)	(129,288)
Decrease (increase) in vacation pay and compensatory leave	(12,758)	(15,207)
Decrease (increase) in environmental liabilities	(96,800)	(17,392)
Decrease (increase) in employee future benefits	206	(4,005)
Decrease (increase) in provision for claims and litigation	(205,538)	(14,475)
Decrease (increase) in deferred revenue	(1,393)	(529)
Bad debt expense	(629)	(179)
Refunds of previous years expenditures	7,828	5,493
Increase in earmarked supplementary fines (Note 15)	682	11
Other	5,635	980
<b>Total Adjustments for items affecting net cost of operations but not affecting authorities</b>	<b>(706,780)</b>	<b>(404,774)</b>
<b>Adjustments for items not affecting net cost of operations but affecting authorities:</b>		
Acquisitions of tangible capital assets	1,306,183	786,118
Transition payments for implementing salary payments in arrears	3	7
Increase (decrease) in inventory	(1,316)	4,156
Salary Overpayments	11,148	12,085
Increase (decrease) in prepaid expenses	(25,000)	-
<b>Total Adjustments for items not affecting net cost of operations but affecting authorities</b>	<b>1,291,018</b>	<b>802,366</b>
<b>Current year authorities used</b>	<b>\$ 3,282,911</b>	<b>\$ 2,620,464</b>



**FISHERIES AND OCEANS CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**3. Parliamentary authorities (continued)**

*(b) Authorities provided and used*

(in thousands of dollars)	2019	2018
<b>Authorities provided:</b>		
Vote 1 - Operating expenditures	\$ 1,700,861	\$ 1,596,276
Vote 5 - Capital expenditures	1,641,325	972,766
Vote 10 - Grants and contributions	272,933	159,739
Statutory amounts	157,979	135,542
<b>Total authorities provided</b>	<b>3,773,098</b>	<b>2,864,323</b>
<b>Less:</b>		
<i>Authorities available for future years</i>	<b>(4,104)</b>	<b>(3,113)</b>
<i>Lapsed authorities:</i>		
Operating	(37,887)	(21,027)
Capital	(360,639)	(188,842)
Grants and Contributions	(87,557)	(30,877)
<b>Current year authorities used</b>	<b>\$ 3,282,911</b>	<b>\$ 2,620,464</b>

**4. Accounts payable and accrued liabilities**

The following table presents the details of Fisheries and Oceans Canada's accounts payable and accrued liabilities

(in thousands of dollars)	2019	2018
Accounts payable - Other government departments and agencies	\$ 51,023	\$ 61,892
Accounts payable - External parties	225,638	205,821
<b>Total accounts payable</b>	<b>276,661</b>	<b>267,713</b>
Accrued liabilities	216,705	188,043
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 493,366</b>	<b>\$ 455,756</b>

**5. Environmental liabilities**

**Remediation of contaminated sites**

The Government's "Federal Approach to Contaminated Sites" sets out a framework for management of contaminated sites using a risk-based approach. Under this approach the Government has inventoried the contaminated sites identified on federal lands, allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aids in identification of the high risk sites in order to allocate limited resources to those sites which pose the highest risk to human health and the environment.

Fisheries and Oceans Canada has identified approximately 2,902 sites (3,091 sites in 2018) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the Department has identified 866 sites (866 sites in 2018) where action is required and for which a gross liability of \$ 205,553,120 (\$90,740,004 in 2018) has been recorded. This liability estimate has been determined based on site assessments performed by environmental experts.

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 approximately 330 unassessed sites (758 sites in 2018) where a liability estimate of \$20,792,560 (\$38,805,538 in 2018) has been recorded using this model.



**FISHERIES AND OCEANS CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**5. Environmental liabilities (continued)**

These two estimates combined, totalling \$226,345,680 (\$129,545,342 in 2018), represent 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.

For the remaining 1,706 sites (1,467 sites in 2018), 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, 2019 and March 31, 2018. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast Consumer Price Index (CPI) rate of 1.9% (1.9% in 2018). Inflation is included in the undiscounted amount. The Government of Canada's cost of borrowing by reference to the actual zero-coupon yield curve for Government of Canada bonds has been used to discount the estimated future expenditures. The March 2019 rates range from 1.46% (1.79% in 2018) for 2 year term to 1.86% (2.24% in 2018) for a 30 or greater year term.

Nature and Source	NATURE & SOURCE OF LIABILITY									
	2019					2018				
	Total Number of Sites	Number of sites with a liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Estimated Recoveries	Total Number of Sites	Number of sites with a liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Estimated Recoveries
Fuel Related Practices <sup>(1)</sup>	94	74	\$8,097,763	\$8,779,176	-	103	74	\$8,426,016	\$9,008,219	-
Landfill/Waste Sites <sup>(2)</sup>	6	5	2,597,742	2,750,147	-	12	5	3,449,458	3,642,397	-
Engineered Asset/Air & Land Transportation <sup>(3)</sup>	2	1	48,240	54,016	-	2	1	49,100	53,008	-
Marine Facilities/Aquatic Sites <sup>(4)</sup>	2,650	1,067	204,333,717	220,677,915	-	2,813	1,493	106,236,673	111,258,807	-
Office/Commercial/Industrial Operations <sup>(5)</sup>	111	33	9,748,423	10,787,825	-	122	36	9,623,673	10,130,001	-
Other <sup>(6)</sup>	39	16	1,519,795	1,591,639	-	39	15	1,760,622	1,882,438	-
<b>Totals</b>	<b>2,902</b>	<b>1,196</b>	<b>\$226,345,680</b>	<b>\$244,640,718</b>	<b>-</b>	<b>3,091</b>	<b>1,624</b>	<b>\$129,545,542</b>	<b>\$135,974,870</b>	<b>-</b>

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 (benzene, toluene, ethylbenzene and xylenes)

2. Contamination associated with former landfill/waste site or leaching from materials deposited in the landfill/waste site, e.g. metals, petroleum hydrocarbons, BTEX, other organic contaminants, etc.

3. Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as, fuel storage handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.

4. 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.

5. 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.

6. Contamination from other sources, e.g. use of pesticides, herbicides, fertilizers at agricultural sites; use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

Also during the year 316 sites (230 sites in 2018) were closed as they were either remediated or assessed to confirm that they no longer meet all the criteria required to record a liability for contaminated sites.

The Department's ongoing efforts to assess contaminated sites may result in additional environmental liabilities.



**FISHERIES AND OCEANS CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**6. Deferred revenues**

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 research projects and stemming from amounts received for fees prior to services being performed. 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)	2019	2018
<b>Opening balance</b>	\$ 7,710	\$ 7,181
Amounts received	9,103	7,710
Revenue recognized	(7,710)	(7,181)
<b>Gross closing balance</b>	9,103	7,710
Deferred revenues held on behalf of Government	(9,103)	(7,710)
<b>Net closing balance</b>	\$ -	\$ -

**7. Other liabilities**

Other liabilities represent deferred revenue funds received by Fisheries and Oceans Canada under regulations, cost-sharing agreements or to fund projects. Details of the transactions related to these accounts are as follows:

(in thousands of dollars)	Opening balance	Receipts and other credits	Payments and other charges	Closing balance
Research projects deposits	\$ 22,558	\$ 6,821	(\$ 8,232)	\$ 21,147
Federal/Provincial cost-sharing agreements	\$ 4,279	5,248	(3,576)	5,951
Sales of seized assets – <i>Fisheries Act</i>	\$ 1,463	396	(358)	1,501
Contractor security deposits	\$ 649	529	(447)	731
<b>Total other liabilities</b>	\$ 28,949	\$ 12,994	(\$ 12,613)	\$ 29,330

**Research projects deposits:** This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

**Federal/Provincial cost-sharing agreements:** This account was established to record the deposit of money received from the provinces for cost-shared programs. The funds are disbursed according to agreements.

**Sale of seized assets:** This account was established to record the proceeds of sale of seized items by Fisheries and Oceans Canada from a person contravening the *Fisheries Act*. Money so received is held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries and Oceans Canada or the courts.

**Contractor security deposits:** This account was established to record money held to ensure that a contractor's obligations under contracts are carried out, to protect the interests of subcontractors, sub-subcontractors and suppliers, and to protect the Crown against loss should a bidder fail to honor a contract.



**FISHERIES AND OCEANS CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**8. Employee future benefits**

*(a) Pension benefits*

Fisheries and Oceans 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/Quebec 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 2018-2019 expense amounts to \$100,139,369 (\$87,397,694 in 2017-2018). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2017-2018) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2017-2018) the employee contributions.

The Department's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Consolidated Financial Statements of the Government of Canada, as the Plan's sponsor.

*(b) Severance benefits*

Severance benefits provided to the Department'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, 2019, 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)	2019	2018
Accrued benefit obligation - Beginning of year	\$ 38,324	\$ 34,319
Expense for the year	5,482	8,274
Benefits paid during the year	(5,688)	(4,269)
<b>Accrued benefit obligation - End of year</b>	<b>\$ 38,118</b>	<b>\$ 38,324</b>

**9. Contingent liabilities**

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown.

**Claims and litigation**

Claims have been made against the Fisheries and Oceans 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. Fisheries and Oceans 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 \$7,634,018 (\$518,814,126 in 2017-2018) at March 31, 2019.

There are two significant types of claims faced by Fisheries and Oceans Canada: treaty and non-treaty negotiations and general litigation claims.

Treaty and non-treaty related negotiation processes are led by Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) with Fisheries and Oceans Canada leading negotiations with respect to fisheries and marine safety issues. These negotiations arise in areas of the country where Aboriginal rights and title have not been resolved by treaty or by other legal means. There are currently 72 treaty and non-treaty fisheries and marine safety negotiations ongoing across Canada, including Recognition of Indigenous Rights and Self-Determinations discussions.

General litigation claims have been made against Fisheries and Oceans 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.





**FISHERIES AND OCEANS CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**10. Accounts receivable and advances**

The following table presents details of Fisheries and Oceans Canada's accounts receivable and advances balances:

(in thousands of dollars)	2019	2018
Receivables - Other government departments and agencies	\$ 20,309	\$ 19,469
Receivables - External parties	54,269	73,776
Accountable advances	201	210
<b>Subtotal</b>	<b>74,779</b>	<b>93,455</b>
Allowance for doubtful accounts on receivables from external parties	(9,201)	(32,106)
<b>Gross accounts receivable and advances</b>	<b>65,578</b>	<b>61,049</b>
Accounts receivable held on behalf of Government	(29,657)	(27,931)
<b>Net accounts receivable and advances</b>	<b>\$ 35,921</b>	<b>\$ 33,118</b>

**11. Loans receivable**

The following table presents details of Fisheries and Oceans Canada's loans receivable balances:

(in thousands of dollars)	2019	2018
Loans receivable <sup>(1)</sup>	\$ 3,322	\$ 1,472
Accrued interest on loans	1,556	1,556
Less: Allowance on loans	(3,028)	(3,028)
<b>Loans receivable held on behalf of Government</b>	<b>(\$ 1,850)</b>	<b>\$ -</b>
<b>Net loans receivable</b>	<b>\$ -</b>	<b>\$ -</b>

<sup>(1)</sup> Loans receivable includes:

- a) Unconditionally repayable contributions amount to \$1,850,000 relate to contributions made to outside parties which are repayable based on conditions specified in the contribution agreement that have come into being.
- b) Loans of \$1,471,652 have been made as follows: to haddock fishermen (\$1,343,337, interest of 8% per annum, repayable over 4 years until 1979) and to Canadian producers of frozen groundfish (\$128,315, interest of 13% per annum, repayable over 7 years until 1987). Allowances on loans receivable are determined on a loan by loan basis. As a result of the postponement of principal and interest payments beyond the loan's original term, Fisheries and Oceans Canada has established an allowance equivalent to the total amount of principal and interest on the loans receivable.



**FISHERIES AND OCEANS CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**12. Prepaid Expenses**

The following table presents details of prepaid expenses

(in thousands of dollars)	2019	2018
National Shipbuilding Procurement Strategy - Offshore Fisheries Science Vessels	\$ -	\$ 25,000

**13. Inventory**

The following table presents details of inventory

(in thousands of dollars)	2019	2018
Inventory held for future program delivery	\$ 57,553	\$ 58,717
Inventory held for resale	30	182
<b>Total inventory</b>	<b>\$ 57,583</b>	<b>\$ 58,899</b>

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$49,118,557 in 2018-2019 (\$44,598,851 in 2017-2018)



**FISHERIES AND OCEANS CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**14. Tangible capital assets**

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	Amortization Period
Buildings	15-40 years
Work and infrastructure	5-75 years
Machinery and equipment	3-25 years
Informatics	3-5 years
Other Equipment	3-25 years
Ships and boats	5-40 years
Aircrafts	10-25 years
Vehicles	6-20 years
Leasehold improvements	Over the useful life of the improvement or the lease term, whichever is shorter
Work in progress	Work in progress is recorded in the applicable asset class in the year that it becomes available for use and are not amortized until it becomes available for use

Capital Asset Class	Costs					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions <sup>(1)</sup>	Adjustments <sup>(2)</sup>	Disposal and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments <sup>(2)</sup>	Disposals and Write-Offs	Closing Balance	2019	2018
Land	\$ 22,132	\$ 233	\$ 298	\$ 1	\$ 22,662	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,662	\$ 22,132
Buildings	750,628	23	84,844	1,361	834,134	509,528	24,684	30	1,337	532,905	301,229	241,100
Works and infrastructure	2,766,063	13	298,089	32,417	3,031,748	1,464,861	75,398	41	28,873	1,511,427	1,520,321	1,301,202
Machinery and equipment	425,419	9,644	23,739	12,372	446,430	275,883	20,856	-	11,674	285,065	161,365	149,536
Informatics	103,675	243	657	2,449	102,126	99,988	1,521	-	2,450	99,057	3,069	3,689
Other equipment	46	260	-	-	306	44	2	-	-	46	260	2
Ships and boats	2,133,205	70	338,822	21,190	2,450,907	1,496,853	76,820	17	18,671	1,555,019	895,888	636,352
Aircraft	281,180	11	4,555	6,188	279,558	25,369	11,661	-	3,713	33,317	246,241	255,811
Vehicles	76,402	4,928	896	4,176	78,050	46,739	4,215	(82)	4,152	46,720	31,330	29,663
Leasehold improvements	521,804	55	39,947	2,517	559,289	361,906	12,127	(70)	1,878	372,085	187,204	159,898
Work in progress	1,556,626	1,290,705	(785,244)	42,232	2,019,855	-	-	-	-	-	2,019,855	1,556,626
	\$ 8,837,180	\$ 1,306,185	\$ 6,603	\$ 124,903	\$ 9,825,065	\$ 4,281,169	\$ 227,284	(\$ 64)	\$ 72,748	\$ 4,435,641	\$ 5,389,424	\$ 4,356,011

<sup>(1)</sup> The acquisition of tangible capital assets included in the work-in-progress category, comprises mainly of projects related to the Offshore Fisheries Science Vessels projects, Small Craft Harbour improvement projects

<sup>(2)</sup> Adjustments include work in progress of \$789,027,000 that were transferred to other categories upon completion of the assets.

Difference may be due to rounding



**FISHERIES AND OCEANS CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**15. Departmental net financial position**

A portion of Fisheries and Oceans Canada's net financial position is used for a specific purpose. Related revenues and expenses are included in the Statement of Operations and Departmental Net Financial Position.

The Supplementary Fines – *Fisheries Act* Account was established pursuant to the *Fisheries Act* and related regulations to record fines and penalties levied by courts under the *Act*. The balance in the account is to be used for remedial or preventive action to fish habitat as well as the promotion of proper management, control, conservation, and protection of fisheries or fish habitat.

The Supplementary Fines – *Species at Risk Act* Account was established pursuant to the *Species at Risk Act* and related regulations to record fines and penalties levied by courts under the *Act*. The balance in the account is to be used for the purpose of conducting research into the protection of the wildlife species in respect of which the offence was committed.

Activity in the aforementioned accounts is as follows:

(in thousands of dollars)	2019	2018
<b>Restricted - Supplementary Fines</b>		
<i>Fisheries Act</i>		
Balance - Beginning of year	\$ 1,618	\$ 1,607
Revenues	802	83
Expenses	(120)	(72)
<b>Balance - End of year</b>	<b>2,300</b>	<b>1,618</b>
<i>Species at Risk Act</i>		
Balance - Beginning of year	35	35
Revenues	-	-
Expenses	-	-
<b>Balance - End of year</b>	<b>35</b>	<b>35</b>
<b>Total Balance - End of year - Restricted</b>	<b>2,335</b>	<b>1,653</b>
Unrestricted	4,529,266	3,835,016
<b>Departmental net financial position - End of year</b>	<b>\$ 4,531,601</b>	<b>\$ 3,836,669</b>

**16. Contractual obligations**

The nature of Fisheries and Oceans Canada's activities can result in some large multi-year contracts and obligations whereby Fisheries and Oceans 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)	2020	2021	2022	2023	2024 and subsequent	Total
Capital Assets	\$ 191,881	\$ 74,150	\$ 33,518	\$ 9,222	\$ 2,930	\$ 311,701
Purchases	40,688	33,479	11,834	-	-	\$ 86,001
<b>Total</b>	<b>\$ 232,569</b>	<b>\$ 107,629</b>	<b>\$ 45,352</b>	<b>\$ 9,222</b>	<b>\$ 2,930</b>	<b>\$ 397,702</b>



**FISHERIES AND OCEANS CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**17. Related party transactions**

Fisheries and Oceans Canada is related as a result of common ownership to all government departments, agencies, and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual.

The department 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, Fisheries and Oceans Canada received services without charge from certain common service organizations, related to accommodation, legal services, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services provided without charge have been recorded at the carrying value in Fisheries and Oceans Canada's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2019	2018
Employer's contribution to the health and dental insurance plans	\$ 85,213	\$ 84,993
Accommodation	45,874	39,399
Legal services	3,935	3,956
Workers' compensation	859	940
<b>Total</b>	<b>\$ 135,881</b>	<b>\$ 129,288</b>

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 and audit services provided by the Office of the Auditor General are not included in Fisheries and Oceans Canada's Statement of Operations and Departmental Net Financial Position.

**(b) Other transactions with other government departments and agencies**

(in thousands of dollars)	2019	2018
Expenses	\$ 320,469	\$ 317,677
Revenues	16	4

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



**FISHERIES AND OCEANS CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**18. Segmented information**

Presentation by segment is based on Fisheries and Oceans 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)	Fisheries	Aquatic Ecosystems	Marine Navigation	Marine Operations and Response	Internal Services	2019	2018
<b>Transfer Payments</b>							
First Nations and Inuit people	\$ 84,932	\$ 3,164	\$ 9	\$ 3,601	\$ -	\$ 91,706	\$ 73,911
Non-profit organizations	21,520	45,070	57	7,350	-	73,997	38,963
Other levels of governments within Canada	715	-	-	-	-	715	1,205
Individuals	2,291	361	-	-	163	2,815	12,520
Other countries and international organizations	140	102	74	-	200	516	159
Industry	11,402	420	-	-	-	11,822	361
<b>Total transfer payments</b>	<b>121,000</b>	<b>49,117</b>	<b>140</b>	<b>10,951</b>	<b>363</b>	<b>181,571</b>	<b>127,119</b>
<b>Operating Expenses</b>							
Salaries and employee benefits	298,548	141,239	163,253	423,571	202,655	1,229,266	1,155,022
Contingent liabilities (Note 9)	205,538	-	-	-	-	205,538	44,475
Professional and special services	68,039	19,346	40,241	76,253	86,539	290,418	282,175
Amortization of tangible capital assets	66,118	3,283	17,743	93,059	47,081	227,284	192,990
Repair and maintenance	45,285	1,019	8,356	62,642	28,430	145,732	139,763
Utilities, materials, supplies and fuel	23,036	11,351	31,869	39,755	9,671	115,682	99,456
Travel, relocation and freight	21,987	9,792	11,065	27,265	6,882	76,991	70,815
Machinery and equipment	9,897	5,337	15,663	14,341	17,432	62,670	59,246
Rental	9,243	5,823	2,128	4,168	6,459	27,821	27,545
Payments in Lieu of Taxes paid to municipalities	170	-	-	-	10,423	10,593	10,516
Telecommunications	1,808	235	3,477	4,549	999	11,068	11,167
Environmental liabilities (Note 5)	-	-	-	-	96,800	96,800	17,392
Communications services	974	558	739	565	773	3,609	3,065
Other	11,125	4,715	33,600	5,751	2,259	57,450	23,570
<b>Total operating expenses</b>	<b>761,768</b>	<b>202,698</b>	<b>328,134</b>	<b>751,919</b>	<b>516,403</b>	<b>2,560,922</b>	<b>2,137,197</b>
<b>Total expenses</b>	<b>\$ 882,768</b>	<b>\$ 251,815</b>	<b>\$ 328,274</b>	<b>\$ 762,870</b>	<b>\$ 516,766</b>	<b>\$ 2,742,493</b>	<b>\$ 2,264,316</b>



**FISHERIES AND OCEANS CANADA**  
**Notes to the Financial Statements (Unaudited)**  
**For the Year Ended March 31**

**18. Segmented information (continued)**

(in thousands of dollars)	Fisheries	Aquatic Ecosystems	Marine Navigation	Marine Operations and Response	Internal Services	2019	2018
<b>Revenues</b>							
Sales of goods and services	\$ 39,052	\$ 22	\$ 28,917	\$ 17,074	\$ 96	\$ 85,161	\$ 87,545
Other revenues	2,094	621	42	10,015	1,126	<b>13,898</b>	6,822
Revenues earned on behalf of Government	(40,958)	(28)	(3,161)	(9,910)	(1,182)	<b>(55,239)</b>	(52,923)
<b>Total revenues</b>	188	615	25,798	17,179	40	<b>43,820</b>	41,444
<b>Net cost from continuing operations</b>	<b>\$ 882,580</b>	<b>\$ 251,200</b>	<b>\$ 302,476</b>	<b>\$ 745,691</b>	<b>\$ 516,726</b>	<b>\$ 2,698,673</b>	<b>\$ 2,222,872</b>

**19. Comparative information**

Certain comparative figures have been reclassified to conform to the current year's presentation. Specifically, the 2017-18 expenses reported in the Statement of Operations and Departmental Net Financial Position, and Segmented information in Note 18 have been reclassified by core responsibility (see Note 1). Fisheries and Oceans Canada's core responsibilities are set out in its new Departmental Results Framework, in accordance with the Treasury Board Policy on Results.



Fisheries and Oceans  
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## **FISHERIES AND OCEANS CANADA**

### **ANNEX TO THE STATEMENT OF MANAGEMENT RESPONSIBILITY INCLUDING INTERNAL CONTROL OVER FINANCIAL REPORTING**

**FISCAL YEAR 2018-2019**





## FISHERIES AND OCEANS CANADA

### Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting

Fiscal Year 2018-2019

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## FISHERIES AND OCEANS CANADA

### Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting

Fiscal Year 2018-2019

#### 1. Introduction

This document provides summary information on the measures taken by Fisheries and Oceans Canada to maintain an effective system of internal control over financial reporting, including information on internal control management, assessment results and related action plans.

Detailed information on the department's authority, mandate and program activities can be found in the 2018-19 *Departmental Results Report* and the 2019-20 *Departmental Plan*.

#### 2. Departmental system of internal control over financial reporting

##### 2.1 Internal control management

Fisheries and Oceans Canada has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. A departmental internal control management framework, approved by the Deputy Minister, is in place and includes:

- Organizational accountability structures as they relate to internal control management to support sound financial management, including roles and responsibilities of senior managers in their areas of responsibility for control management;
- values and ethics;
- ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control; and
- quarterly monitoring of and regular updates on internal control management, as well as the provision of related assessment results and action plans to the Deputy Minister and departmental senior management and, as applicable, the Departmental Audit Committee.

The Departmental Audit Committee provides advice to the Deputy Minister on the adequacy and functioning of the department's risk management, control and governance frameworks and processes.



## FISHERIES AND OCEANS CANADA

### Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting

#### Fiscal Year 2018-2019

#### 2.2 Service arrangements relevant to financial statements

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

##### Common arrangements

- Public Services and Procurement Canada centrally administers the payroll and the procurement of goods and services in accordance with the Fisheries and Oceans Canada's Delegation of Authority, and provides accommodation services;
- the Treasury Board Secretariat provides Fisheries and Oceans Canada with information used to calculate various accruals and allowances, such as the accrued severance liability;
- the Department of Justice Canada provides legal services to Fisheries and Oceans Canada; and
- Shared Services Canada provides information technology (IT) infrastructure services to Fisheries and Oceans Canada in the areas of data center and network services. The scope and responsibilities are addressed in the interdepartmental arrangement between Shared Services Canada and Fisheries and Oceans Canada.

##### Specific arrangements

- External service providers, pursuant to a contract with the Government of Canada, administer the invoicing of Marine Navigation Services Fee revenues for the east coast on behalf of the Canadian Coast Guard Marine Navigation program for foreign vessels. The service providers ensure that appropriate fees are invoiced. The external service providers has the authority and responsibility to ensure that billing of the Eastern Region's Marine Navigation Services Fee for foreign vessels are made in accordance with the terms and conditions set out by the Canadian Coast Guard Marine Navigation program. As a result, reliance was placed on the control procedures of these external service providers; and
- Public Services and Procurement Canada provides Fisheries and Oceans Canada billing, banking, electronic funds processing and similar payment services for a significant portion of the revenues from commercial fishing licenses and Marine Service fees via the Receiver General Buy Button (RBBB)



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### 3. Departmental assessment results during fiscal year 2018-2019

The key findings and significant adjustments required from the current year's assessment activities are summarized below.

**New or significantly amended key controls:**

In the current year, there were no significantly amended key controls in existing processes which required a reassessment.

**Ongoing monitoring program:**

As part of its ongoing monitoring plan, the department completed the assessment of the financial controls within the business processes of delegation of authority, procure to pay, capital assets, grants and contributions and information technology general control of the financial system.

For the most part, the key controls that were tested performed as intended. Remediation is required and underway for several items identified. Further to the reviews, the Department has been involved in completing projects that has been improving the accounting processes within the Department. This will help to address recommendations stemming from the reviews. In addition the Department is currently transitioning financial systems and findings noted from the reviews will be used and integrated into the business requirements of the new system.



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#### 4. Departmental action plan

##### 4.1 Progress during fiscal year 2018-2019

Fisheries and Oceans Canada continued to conduct its ongoing monitoring according to the previous fiscal year's rotational plan as shown in the following table.

##### Progress during fiscal year 2018-2019

Previous year's rotational ongoing monitoring plan for current year	Status
Delegation of Authority	Review was completed. Remedial action is progressing as planned and will include high risk item in the area of verification for financial transactions in the coming year. Other lower risk items will be addressed with increased training and the inception of the new financial system (SAP).
Procure to Pay	Review was completed. Remedial action underway in the area of access rights and vendor reviews. Complete remediation will be eased once the new financial system (SAP) becomes operational.
Capital Assets	Review was completed. Remedial action is progressing as planned; Remedial action underway for high risk items in the areas of system access. A pooled assets approach for some asset classifications and the implementation of a new template for WIP conversion is required to address previous accounting issues.
Grants and Contributions	Review was completed. Remedial action is progressing as planned; remedial action underway for weaknesses pertaining segregation of duties. Given the increase in funding for the Department's programs, a Departmental G&C's framework will be developed and recipients audits performed.
ITGC-Financial System	Review was completed; no high residual risk have been identified in recent reviews. Documentation retention for processes and system access are most common weaknesses reported and are business requirements for the new financial system (SAP).



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**4.2 Action plan for the next fiscal year and subsequent years**

Fisheries and Oceans Canada’s rotational ongoing monitoring plan 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 as required, is shown in the following table.

**Rotational Ongoing Monitoring Plan**

Key Control Areas	Future On-going Monitoring Plan		
	2019-2020	2020-2021	2021-2022
Entity Level Controls	No	Yes	No
Tangible Capital Assets	No	No	Yes
Inventory	No	No	Yes
Financial Close	No	Yes	No
Revenue			
- Marine services	Yes	No	No
- Fisheries Licensing	No	Yes	No
Budgeting and Forecasting	Yes	Yes	Yes
Operating Expenditures	Yes	Yes	Yes
Environmental Liabilities	Yes	No	No
Salaries and Benefits	Yes	Yes	Yes
Grants and Contributions	No	No	No
Delegation of authority	Yes	Yes	Yes
<b>Information Technology General Controls</b>			
Financial system	Yes	Yes	Yes
Salary Management	Yes	No	No

\*Rotational schedule updated as a result of the annual Internal Control Risk Assessment. This plan will be reevaluated annually.